
REAL ESTATE COMPENSATION FUND CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007





MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

AUDITORS' REPORT

To the Board of Directors of
Real Estate Compensation Fund Corporation

We have audited the balance sheet of Real Estate Compensation Fund Corporation as at December 31, 2007 and the statements of revenue and expenditures, changes in retained income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

March 20, 2008

REAL ESTATE COMPENSATION FUND CORPORATION**BALANCE SHEET****AS AT DECEMBER 31, 2007**

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 317,617	\$ 161,392
Short-term investments	4,278,504	3,048,265
Accrued interest	27,218	26,724
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	\$ 4,623,339	\$ 3,236,381
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LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 35,798	\$ 40,707
RESERVE FOR CLAIMS LIABILITIES (Note 6)	<hr/>	<hr/>
	510,100	962,200
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	545,898	1,002,907
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RETAINED INCOME		
INTERNALLY RESTRICTED RETAINED INCOME (Note 5)	500,000	500,000
UNRESTRICTED RETAINED INCOME	<hr/>	<hr/>
	3,577,441	1,733,474
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	4,077,441	2,233,474
	<hr/>	<hr/>
	\$ 4,623,339	\$ 3,236,381
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Approved by the Board:

Director

Director

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CHANGES IN RETAINED INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007

		Internally restricted	Unrestricted	2007	2006
BALANCE, BEGINNING OF YEAR	\$	500,000	\$ 1,733,474	\$ 2,233,474	\$ 1,510,362
Revenue over expenditures for the year		-	1,843,967	1,843,967	723,112
BALANCE, END OF YEAR	\$	500,000	\$ 3,577,441	\$ 4,077,441	\$ 2,233,474



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
REVENUE		
Assessments	\$ 1,318,791	\$ 1,071,077
DIRECT EXPENDITURES		
Provision (recovery) for outstanding claims	(162,497)	784,580
Compensation payouts recovered	-	(20,000)
	(162,497)	764,580
NET ASSESSMENT REVENUE	1,481,288	306,497
OPERATING EXPENDITURES		
Administrative and professional expenses (Schedule I)	161,518	150,327
Collection fees and hearing costs	63,591	40,446
	225,109	190,773
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER INCOME	1,256,179	115,724
OTHER INCOME (EXPENSES)		
Interest and other investment income, net of expenses	136,541	107,388
Real Estate Foundation grant	500,000	-
Real Estate Council of British Columbia grant	-	500,000
Write-down of investments	(48,753)	-
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ 1,843,967	\$ 723,112



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 1,843,967	\$ 723,112
Change in non-cash working capital items		
Decrease in grant receivable	-	65,000
(Decrease) increase in accounts payable and accrued liabilities	(4,909)	14,624
(Decrease) increase in reserve for claims liabilities	(452,100)	776,100
	1,386,958	1,578,836
INVESTING ACTIVITIES		
Increase in accrued interest	(494)	(26,724)
Increase in short-term investments	(1,230,239)	(2,290,313)
	(1,230,733)	(2,317,037)
INCREASE (DECREASE) IN CASH DURING THE YEAR	156,225	(738,201)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	161,392	899,593
CASH AND EQUIVALENTS, END OF YEAR	\$ 317,617	\$ 161,392



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. NATURE OF OPERATIONS

The Real Estate Compensation Fund Corporation ("the Corporation") was introduced as part of the new *Real Estate Services Act* to replace the trust account bonding requirements under the former *Real Estate Act*. The Corporation commenced operations on December 31, 2004.

The Corporation provides protection for members of the public who have entrusted real estate licensees (or unlicensed individuals related to the brokerage) with money that was either misappropriated or wrongfully converted; intentionally not paid over or accounted for; or obtained by the fraud of a licensee or individual.

Pursuant to section 149(1)(1) of the *Income Tax Act* (Canada), the Corporation qualifies as a not-for-profit organization, and as such, is exempt from tax.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

b) Short-term investments

Short-term investments are recorded at fair market value.

c) Financial instruments

The Corporation has elected to classify all of its financial instruments as "held for trading", which means that all financial instruments are measured and reported at fair value. Subsequent changes in fair value of financial instruments are recognized as gains or losses in the statement of revenue and expenditures in the period in which the change in value takes place.

d) Revenue recognition

The Corporation collects assessment fees for a two-year period in advance. These fees are recognized as income in the period received as the Corporation has no continuing obligations with respect to these fees and does not issue refunds.

e) Grant income

Grants are recognized as income when collection is reasonably assured.

f) Reserve for claims liabilities

The reserve represents an actuarial evaluation of the ultimate net cost of all losses from the claims which remain unsettled as at the balance sheet date.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the valuation of investments and the amounts recorded as accrued liabilities.



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

3. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2007, the Corporation adopted new Canadian Institute of Chartered Accountants recommendations governing the recognition and measurement of financial instruments as described in Note 2(c).

These recommendations provide standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and derivative financial instruments. Upon initial adoption of the recommendations, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

Under the new standards, financial instruments must be classified into one of five categories: held-for trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

The adoption of this policy has not had a significant effect on these financial statements.

4. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, and accounts payable and accrued liabilities. In management's opinion the Corporation is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values due to their relative short-term nature, unless otherwise noted.

5. INTERNALLY RESTRICTED RETAINED INCOME

	2007	2006
Compensation Fund	\$ 500,000	\$ 500,000

In compliance with section 135 under the *Real Estate Services Act*, the Real Estate Council of British Columbia contributed \$500,000 as initial funding for the Corporation in 2004. These funds are restricted as part of the Compensation Fund.

6. RESERVE FOR CLAIMS LIABILITIES

	2007	2006
Provision for future claims	\$ 510,100	\$ 962,200

The reserves represent an actuarial evaluation of the anticipated future claims, as at the balance sheet date.

7. COMPARATIVE FIGURES

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements. Such reclassification does not have any effect on the assets or income previously reported.

The comparative figures for 2006 were audited by another auditor.



REAL ESTATE COMPENSATION FUND CORPORATION
SCHEDULE OF ADMINISTRATIVE AND PROFESSIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE I

	2007	2006
ADMINISTRATIVE AND PROFESSIONAL EXPENSES:		
Administration fee	\$ 62,168	\$ 57,321
Board members' per diems	8,850	9,300
Insurance	800	8,417
Interest and bank charges	20,052	15,746
Meeting costs	6,122	2,125
Office and miscellaneous	1,403	1,412
Professional fees	50,696	51,767
Travel and accommodations	11,427	4,239
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	\$ 161,518	\$ 150,327

