
REAL ESTATE COMPENSATION FUND CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2008





MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Directors of
Real Estate Compensation Fund Corporation

We have audited the statement of financial position of Real Estate Compensation Fund Corporation as at December 31, 2008 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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, 2008, 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 10, 2009

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 309,505	\$ 317,617
Accrued interest receivable	79,917	27,218
	389,422	344,835
INVESTMENTS (Note 4)	5,336,894	4,278,504
	\$ 5,726,316	\$ 4,623,339
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 31,716	\$ 35,798
RESERVE FOR CLAIMS LIABILITIES (Note 5)	571,500	510,100
	603,216	545,898
NET ASSETS		
INTERNALLY RESTRICTED (Note 6)	500,000	500,000
UNRESTRICTED	4,623,100	3,577,441
	5,123,100	4,077,441
	\$ 5,726,316	\$ 4,623,339

Approved by the Board:

_____ Director

_____ Director



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

		Internally Restricted	Unrestricted	2008	2007
BALANCE, BEGINNING OF YEAR	\$	500,000	\$ 3,577,441	\$ 4,077,441	\$ 2,233,474
Revenue over expenditures for the year		-	1,045,659	1,045,659	1,843,967
BALANCE, END OF YEAR	\$	500,000	\$ 4,623,100	\$ 5,123,100	\$ 4,077,441



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
REVENUE		
Assessments	\$ 1,147,346	\$ 1,318,791
DIRECT EXPENDITURES		
Provision for (recovery of) outstanding claims	69,893	(162,497)
NET ASSESSMENT REVENUE	1,077,453	1,481,288
OPERATING EXPENDITURES		
Administrative and professional expenses (Schedule I)	147,821	161,518
Collection fees and hearing costs	49,032	63,591
	196,853	225,109
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER INCOME	880,600	1,256,179
OTHER INCOME (EXPENSES)		
Interest and other investment income, net of expenses	264,469	136,541
Write-down of investments to fair market value	(90,852)	(48,753)
Loss on disposal of investments	(8,558)	-
Real Estate Foundation grant	-	500,000
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ 1,045,659	\$ 1,843,967



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 1,045,659	\$ 1,843,967
Items not involving cash		
Increase (decrease) in reserve for claims liabilities	61,400	(452,100)
Loss on disposal of investments	8,558	-
Write-down of investments to fair market value	90,852	48,753
	1,206,469	1,440,620
Change in non-cash working capital items		
Increase in accrued interest receivable	(52,699)	(494)
Decrease in accounts payable and accrued liabilities	(4,083)	(4,909)
	1,149,687	1,435,217
INVESTING ACTIVITIES		
Purchase of investments, net	(1,157,799)	(1,278,992)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(8,112)	156,225
CASH AND EQUIVALENTS, BEGINNING OF YEAR	317,617	161,392
CASH AND EQUIVALENTS, END OF YEAR	\$ 309,505	\$ 317,617
CASH FLOW SUPPLEMENTAL INFORMATION		
Interest paid	\$ (23,031)	\$ (20,052)
Interest and dividends received	\$ 211,777	\$ 136,048



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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) Investments

Investments are recorded at their fair value.

c) Financial instruments

The Corporation classifies 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.

The Corporation has elected to continue to follow the financial instrument disclosure and presentation requirements of Section 3861 of the CICA Handbook instead of the requirements of Sections 3862 and 3863, as provided by Sections 3862 and 3863.

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 the amount of the grant can be reasonably estimated and collection is reasonably assured.

f) Reserve for claims liabilities

The actuarial evaluation of the reserve for claims liabilities is an estimate of the present value of future claims based on an analysis of the historic patterns in which claims are reported, interim payments are made, reserves are set and adjusted, final settlements are reached, and claims are finally closed. Implicit in this methodology is the assumption that the emergence of loss costs and claim settlement patterns in the future will be similar to those in the past. Other key assumptions used in the actuarial evaluation include inflation based on the current Consumer Price Index and investment income from assets based on current long-term bond rates.



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 estimates relate to the determination of the valuation of investments, the amounts recorded as accrued liabilities and the reserve for claims liabilities.

h) Recent accounting pronouncements

In September 2008, the Accounting Standards Board issued CICA Handbook Section 4470, "Disclosure of allocated expenses by not-for-profit organizations", which establishes standards for disclosing an entity's policies governing the allocation of common expenses to multiple functions or programs. This standard is effective for fiscal years beginning on or after January 1, 2009. The Corporation is currently assessing the impact of these new standards and has not yet determined their impact on the Corporation's financial statements.

Also in September 2008, the Accounting Standards Board amended the following CICA Handbook Sections:

- 1540 "Cash flow statements"
- 4400 "Financial statement presentation by not-for-profit organizations"
- 4430 "Capital assets held by not-for-profit organizations"
- 4460 "Disclosure of related party transactions by not-for-profit organizations"

The amendments provide additional guidance on applying the existing standards and are effective for fiscal years beginning on or after January 1, 2009. The Corporation is currently assessing the impact of the amendments to these standards and has not yet determined their impact on the Corporation's financial statements.

3. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accrued interest, investments and accounts payable. In management's opinion, the Corporation is not exposed to significant interest rate risk, currency exchange rate risk or credit risk arising from these financial instruments, except as explained in the following paragraph. Pursuant to the policy described in Note 2(c), the Corporation's financial instruments are carried at their fair values.

The Corporation's investments include guaranteed investment certificates ("GICs"), high-quality government and corporate debt instruments ("Bonds") and equity securities. Accordingly, through certain of these investments, the Corporation is exposed to interest rate risk, currency exchange rate risk and credit risk. The Corporation's investment policy mitigates these risks by maintaining a minimum balance of its investments in GICs and Bonds. As at December 31, 2008, the minimum balance to be held in GICs and Bonds is \$4 million.



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

4. INVESTMENTS

	2008	2007
GICs and Bonds	\$ 4,696,009	\$ 4,005,123
Equity securities	640,885	273,381
	<hr/> \$ 5,336,894	<hr/> \$ 4,278,504

5. RESERVE FOR CLAIMS LIABILITIES

	2008	2007
Provision for future claims	\$ 571,500	\$ 510,100

The reserve represents an actuarial evaluation of the anticipated future claims, as at the statement of financial position date.

6. INTERNALLY RESTRICTED NET ASSETS

	2008	2007
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.

7. COMPARATIVE FIGURES

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



REAL ESTATE COMPENSATION FUND CORPORATION
SCHEDULE OF ADMINISTRATIVE AND PROFESSIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE I

	2008	2007
ADMINISTRATIVE AND PROFESSIONAL EXPENSES:		
Administration fee	\$ 65,435	\$ 62,168
Board members' per diems	8,266	8,850
Insurance	5,800	800
Interest and bank charges	23,031	20,052
Meeting costs	3,733	6,122
Office and miscellaneous	4,093	1,403
Professional fees	29,796	50,696
Travel and accommodations	7,667	11,427
	<hr/> \$ 147,821	<hr/> \$ 161,518

