
REAL ESTATE COMPENSATION FUND CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2009





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 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, 2009 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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, 2009, 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 22, 2010

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 310,130	\$ 309,505
Accrued interest receivable	95,900	79,917
	406,030	389,422
INVESTMENTS (Note 4)	6,672,561	5,336,894
	\$ 7,078,591	\$ 5,726,316

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 21,532	\$ 31,716
RESERVE FOR CLAIMS LIABILITIES (Note 5)	826,400	571,500
	847,932	603,216

NET ASSETS

INTERNALLY RESTRICTED (Note 6)	500,000	500,000
UNRESTRICTED	5,730,659	4,623,100
	6,230,659	5,123,100
	\$ 7,078,591	\$ 5,726,316

Approved by the Board:

_____ Director

_____ Director



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

		Internally Restricted	Unrestricted	2009	2008
BALANCE, BEGINNING OF YEAR	\$	500,000	\$ 4,623,100	\$ 5,123,100	\$ 4,077,441
Excess of revenue over expenditures for the year		-	1,107,559	1,107,559	1,045,659
BALANCE, END OF YEAR	\$	500,000	\$ 5,730,659	\$ 6,230,659	\$ 5,123,100



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
REVENUE		
Assessments	\$ 1,280,744	\$ 1,147,346
DIRECT EXPENDITURES		
Provision for outstanding claims	254,900	69,893
NET ASSESSMENT REVENUE	1,025,844	1,077,453
OPERATING EXPENDITURES		
Administrative and professional expenses (Schedule I)	225,181	147,821
Collection fees and hearing costs	47,784	49,032
	272,965	196,853
EXCESS OF REVENUE OVER OPERATING EXPENDITURES	752,879	880,600
OTHER INCOME (EXPENDITURES)		
Interest and other investment income, net of expenses	235,221	264,469
Write-up (down) of investments to fair value	185,684	(90,852)
Loss on disposal of investments	(66,225)	(8,558)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ 1,107,559	\$ 1,045,659



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 1,107,559	\$ 1,045,659
Items not involving cash		
Increase in reserve for claims liabilities	254,900	61,400
Loss on disposal of investments	66,225	8,558
(Write-up) / write-down of investments to fair value	(185,684)	90,852
	1,243,000	1,206,469
Change in non-cash working capital items		
Increase in accrued interest receivable	(15,983)	(52,699)
Decrease in accounts payable and accrued liabilities	(10,184)	(4,083)
	1,216,833	1,149,687
INVESTING ACTIVITIES		
Purchase of investments, net	(1,216,208)	(1,157,799)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR THE YEAR	625	(8,112)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	309,505	317,617
CASH AND EQUIVALENTS, END OF YEAR	\$ 310,130	\$ 309,505
CASH FLOW SUPPLEMENTAL INFORMATION		
Interest and dividends received	\$ 219,259	\$ 211,777



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 include cash on hand, balances held with banks and brokerage institutions and highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

b) 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.

c) 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.

d) Grant income

Grants are recognized as income when the amount of the grant can be reasonably estimated and collection is reasonably assured.

e) 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, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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.

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, 2009, the minimum balance to be held in GICs and Bonds is \$4 million.

4. INVESTMENTS

	2009	2008
GICs and Bonds	\$ 5,905,733	\$ 4,696,009
Equity securities	766,828	640,885
	<hr/> \$ 6,672,561	<hr/> \$ 5,336,894

5. RESERVE FOR CLAIMS LIABILITIES

	2009	2008
Provision for future claims	\$ 826,400	\$ 571,500

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



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

6. INTERNALLY RESTRICTED NET ASSETS

	2009	2008
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. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of internally restricted net assets and unrestricted net assets. Internally restricted net assets have been designated by the Corporation's board of directors for the specific purpose described in Note 6. Unrestricted net assets represent the Corporation's accumulated excess of revenue over expenditures. The primary objective of the Corporation's capital management is to invest its capital in a manner that will allow it to continue as a going-concern and comply with its stated objectives.



REAL ESTATE COMPENSATION FUND CORPORATION
SCHEDULE OF ADMINISTRATIVE AND PROFESSIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE I

	2009	2008
ADMINISTRATIVE AND PROFESSIONAL EXPENSES:		
Administration fee	\$ 66,938	\$ 65,435
Board members' per diems	8,200	8,266
Brokerage and bank charges	37,352	23,031
Insurance	5,800	5,800
Meeting costs	3,479	3,733
Office and miscellaneous	4,099	4,093
Professional fees	93,016	29,796
Travel and accommodations	6,297	7,667
	<hr/>	<hr/>
	\$ 225,181	\$ 147,821

