
REAL ESTATE COMPENSATION FUND CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2011





MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of:
Real Estate Compensation Fund Corporation

We have audited the accompanying financial statements of Real Estate Compensation Fund Corporation, which comprise the statement of financial position as at December 31, 2011, and the statement of revenue and expenditures, statement of changes in net assets and statement of 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 our 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, we consider 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 in our audit 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 Real Estate Compensation Fund Corporation as at December 31, 2011, 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

April 10, 2012

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 125,697	\$ 228,259
Accrued interest receivable	177,788	131,393
	<hr/> 303,485	<hr/> 359,652
INVESTMENTS (Note 4)	9,106,002	7,870,466
	<hr/> \$ 9,409,487	<hr/> \$ 8,230,118

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 30,186	\$ 93,383
RESERVE FOR CLAIMS LIABILITIES (Note 6)	1,346,100	3,037,300
	<hr/> 1,376,286	<hr/> 3,130,683

NET ASSETS

INTERNALLY RESTRICTED (Note 7)	500,000	500,000
UNRESTRICTED	7,533,201	4,599,435
	<hr/> 8,033,201	<hr/> 5,099,435
	<hr/> \$ 9,409,487	<hr/> \$ 8,230,118

Approved by the Board:

_____ Director

_____ Director



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

		Internally Restricted	Unrestricted	2011	2010
BALANCE, BEGINNING OF YEAR	\$	500,000	\$ 4,599,435	\$ 5,099,435	\$ 6,230,659
Excess (deficiency) of revenue over expenditures for the year		-	2,933,766	2,933,766	(1,131,224)
BALANCE, END OF YEAR	\$	500,000	\$ 7,533,201	\$ 8,033,201	\$ 5,099,435



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
REVENUE		
Assessments	\$ 1,332,244	\$ 1,241,767
DIRECT EXPENDITURES		
(Recovery of) provision for outstanding claims	(1,691,200)	2,410,821
Compensation payouts recovered	-	(18,805)
NET ASSESSMENT (EXPENDITURE) REVENUE	3,023,444	(1,150,249)
OPERATING EXPENDITURES		
Administrative and professional expenses (Schedule I)	223,750	295,615
Collection fees and hearing costs (Note 5)	68,276	47,212
	292,026	342,827
EXCESS (DEFICIENCY) OF REVENUE OVER OPERATING EXPENDITURES	2,731,418	(1,493,076)
OTHER INCOME (EXPENDITURES)		
Interest and other investment income, net of expenses	300,076	277,312
(Write-down) up of investments to fair value	(95,582)	82,287
(Loss) gain on disposal of investments	(2,146)	2,253
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ 2,933,766	\$ (1,131,224)



REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the year	\$ 2,933,766	\$ (1,131,224)
Items not involving cash		
(Decrease) increase in reserve for claims liabilities	(1,691,200)	2,210,900
Loss (gain) on disposal of investments	2,146	(2,253)
Write-down (up) of investments to fair value	95,582	(82,287)
	1,340,294	995,136
Change in non-cash working capital items		
Increase in accrued interest receivable	(46,395)	(35,493)
(Decrease) increase in accounts payable and accrued liabilities	(63,197)	71,851
	1,230,702	1,031,494
INVESTING ACTIVITIES		
Purchase of investments, net	(1,333,264)	(1,113,365)
DECREASE IN CASH AND EQUIVALENTS FOR THE YEAR	(102,562)	(81,871)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	228,259	310,130
CASH AND EQUIVALENTS, END OF YEAR	\$ 125,697	\$ 228,259
CASH FLOW SUPPLEMENTAL INFORMATION		
Interest and dividends received	\$ 253,739	\$ 241,851



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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) 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, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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 expenditures 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.

f) Recent accounting pronouncements

In September 2010, the CICA's Accounting Standards Board confirmed that not-for-profit organizations will be required to prepare financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO") or International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2012. Management anticipates that the Corporation will adopt ASNPO for its year ending December 31, 2012 and has not yet determined its effect on the Corporation's financial statements.

3. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and equivalents, 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(b), 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, 2011, the minimum balance to be held in GICs and Bonds is \$4 million.

4. INVESTMENTS

	2011	2010
GICs and Bonds	\$ 8,154,512	\$ 6,827,756
Equity securities	951,490	1,042,710
	\$ 9,106,002	\$ 7,870,466



REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

5. RELATED PARTY BALANCES AND TRANSACTIONS

The Real Estate Council of British Columbia (the "Council") appoints three out of the five members of the Corporation's Board of Directors. The Council is responsible for collecting assessment fees on behalf of the Corporation and provides advice on the payment of assessment claims. The Council also charges the Corporation an administrative fee which is based on the number of licences issued during the year.

As at December 31, 2011, \$9,456 (2010 - \$36,246) owing to the Council is included in accounts payable and accrued liabilities. A total of \$68,276 (2010 - \$77,212) was paid or accrued to the Council during the year for collection fees, hearing costs and other legal expenses.

Related party transactions are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. RESERVE FOR CLAIMS LIABILITIES

	2011	2010
Provision for future claims	\$ 1,346,100	\$ 3,037,300

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

7. INTERNALLY RESTRICTED NET ASSETS

	2011	2010
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.

8. 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 7. 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, 2011

SCHEDULE I

	2011	2010
ADMINISTRATIVE AND PROFESSIONAL EXPENSES:		
Administration fee	\$ 87,822	\$ 67,588
Board members' per diems	27,025	14,350
Brokerage and bank charges	38,024	38,469
Insurance	5,800	5,800
Meeting costs	6,116	14,173
Office and miscellaneous	4,678	21,003
Professional fees	46,721	122,259
Travel and accommodations	7,564	11,973
	<hr/> \$ 223,750	<hr/> \$ 295,615

