



REAL ESTATE COMPENSATION FUND CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2019



INDEPENDENT AUDITORS' REPORT

To the Directors of:
Real Estate Compensation Fund Corporation

Opinion

We have audited the financial statements of Real Estate Compensation Fund Corporation (the "Corporation") which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Manning Elliott LLP

Chartered Professional Accountants

Vancouver, British Columbia

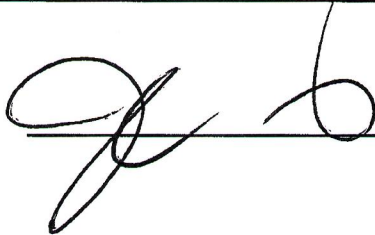
April 17, 2019

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 531,068	\$ 701,115
Investments (Note 3)	17,724,459	16,623,981
Accrued interest receivable	191,511	130,938
	<u>\$18,447,038</u>	<u>\$17,456,034</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 37,033	\$ 29,663
Reserve for claims liabilities (Note 5)	685,500	998,200
	<u>722,533</u>	<u>1,027,863</u>
NET FINANCIAL ASSETS	<u>17,724,505</u>	<u>16,428,171</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	3,000	3,000
ACCUMULATED SURPLUS	<u>\$17,727,505</u>	<u>\$16,431,171</u>

Approved by the Board:


 _____ Director


 _____ Director

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2019

	2019	Budget	2018 (3 months)
REVENUE			
Assessments	\$ 759,052	\$ -	\$ 214,041
DIRECT EXPENDITURES			
Payment of claims	195,000	-	-
Provision (recovery) of outstanding claims (Note 5)	(312,700)	-	11,800
Compensation payouts recovered	(53,885)	-	-
	(171,585)	-	11,800
NET ASSESSMENT REVENUE	930,637	-	202,241
OPERATING EXPENDITURES			
Administrative and professional expenses - Schedule I	209,472	-	50,754
Collection fees and hearing costs (Note 4)	38,244	-	3,620
	247,716	-	54,374
ANNUAL SURPLUS FOR THE YEAR FROM OPERATIONS	682,921	-	147,867
OTHER INCOME (EXPENDITURES)			
Interest and other investment income	412,170	-	86,972
Gain (loss) on disposal of investments	96,371	-	(4,531)
Write-up (write-down) of investments to fair value	104,872	-	(250,871)
	613,413	-	(168,430)
ANNUAL SURPLUS FOR THE YEAR	1,296,334	-	(20,563)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	16,431,171	-	16,451,734
ACCUMULATED SURPLUS, END OF YEAR	\$17,727,505	\$ -	\$16,431,171

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
ANNUAL (DEFICIT) SURPLUS FOR THE YEAR	\$ 1,296,334	\$ (20,563)
OTHER NON-FINANCIAL ASSETS		
Acquisition of prepaid expenses	(4,000)	-
Use of prepaid expenses	4,000	1,000
	-	1,000
CHANGES IN NET FINANCIAL ASSETS	1,296,334	(19,563)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	16,428,171	16,447,734
NET FINANCIAL ASSETS, END OF YEAR	\$17,724,505	\$16,428,171

REAL ESTATE COMPENSATION FUND CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018 (3months)
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Annual surplus (deficit) for the year	\$ 1,296,334	\$ (20,563)
Items not involving cash:		
Provision (recovery) of outstanding claims	(312,700)	11,800
(Gain) loss on disposal of investments	(96,371)	4,531
(Write up) write-down of investments to fair value	(104,872)	250,871
	782,391	246,639
Change in non-cash working capital items:		
Decrease (increase) in accrued interest receivable	(60,573)	1,701
Decrease (increase) in prepaid expenses	-	1,000
Increase (decrease) accounts payable and accrued liabilities	7,370	(3,509)
	729,188	245,831
CAPITAL AND INVESTING TRANSACTIONS		
Purchase of investments, net	(899,235)	120,613
INCREASE (DECREASE)		
IN CASH AND EQUIVALENTS DURING THE YEAR	(170,047)	366,444
CASH AND EQUIVALENTS, BEGINNING OF YEAR	701,115	334,671
CASH AND EQUIVALENTS, END OF YEAR	\$ 531,068	\$ 701,115

REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NATURE OF OPERATIONS

The Real Estate Compensation Fund Corporation ("the Corporation") commenced operations on December 31, 2004 to replace the trust account bonding requirements under the former *Real Estate Act*. The Corporation is funded by assessments of real estate licensees in accordance with the *Real Estate Services Act* SBC 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)(l) of the Income Tax Act (Canada), the Corporation qualifies as a not-for-profit organization, and as such, is exempt from tax.

On September 30, 2016, the Province of British Columbia made legislative amendments to the Real Estate Services Act and the Real Estate Services Regulation which empowered the Province of British Columbia to appoint all 16 members of the Real Estate Council of British Columbia ("the Council"). As the Council controls the Corporation through ability to appoint the majority of its board members, the Corporation was required to transition to Canadian public sector accounting standards ("PSAS"). In addition, during the prior year the Corporation changed its fiscal year end from December 31 to March 31. Therefore the comparative figures presented represent the three month period ending March 31, 2018.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards ("PSAS").

a) Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

b) Net financial assets

The Corporation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Corporation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

c) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include prepaid expenses.

d) Cash and cash equivalents

Cash and cash equivalents include 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.

REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial instruments

i) Measurement

The Corporation's financial instruments consist of cash and cash equivalents, investments and accounts payable.

The Corporation initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Corporation subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value, and investments in debt instruments that are quoted in an active market, which the Corporation has elected to measure at fair value. Changes in fair value of financial instruments carried at fair value are recognized in the statement of operations.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations in the period in which it is determined

iii) Transaction costs

The Corporation recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

f) Revenue recognition

The Corporation follows the deferral method of recognizing contributions. 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.

g) 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 MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses 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 valuation of investments, the amounts recorded as accrued liabilities and the reserve for claims liabilities.

i) Adopted accounting policies

Effective April 1, 2018, the Corporation adopted the recommendations relating to the following sections as set out in the CPA Canada Public Sector Accounting Handbook:

PS 2200 Related Party Disclosures
 PS 3420 Inter-entity Transactions
 PS 3210 Assets
 PS 3320 Contingent Assets
 PS 3380 Contractual Rights

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements of adopting the new sections.

2. FINANCIAL INSTRUMENTS RISKS

The Corporation's financial instruments are described in Note 1(e). In management's opinion, the Corporation is not exposed to significant currency, credit, liquidity, interest rate or other market risks except as explained below. In addition, the Corporation is not exposed to any material concentrations of risk and there has been no change in the risk exposures described below from the prior year.

Interest rate risk, currency exchange rate risk and credit risk:

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 March 31, 2019, the minimum balance to be held in GICs and Bonds is \$4 million (2018 - \$4 million).

3. INVESTMENTS

	2019	2018
GICs and bonds	\$13,356,335	\$12,566,776
Equity Securities	4,368,124	4,057,205
	<hr/> \$17,724,459	<hr/> \$16,623,981

REAL ESTATE COMPENSATION FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

4. 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 March 31, 2019, \$10,000 (2018 - \$11,500) owing to the Council is included in accounts payable and accrued liabilities. A total of \$38,244 (2018 - \$3,620) was paid or accrued to the Council during the year for collection fees, hearing costs and other legal expenses. A total of \$15,429 (2018 - \$4,250) was paid to the Council during the year for credit card fees.

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

5. RESERVE FOR CLAIMS LIABILITIES

	2019	2018
Reserve for claims liabilities	\$ 998,200	\$ 986,400
Provision (recovery) of outstanding claims	(312,700)	11,800
Balance at end of year	\$ 685,500	\$ 998,200

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

6. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified in order to conform to the current year's financial statement presentation.

REAL ESTATE COMPENSATION FUND CORPORATION
SCHEDULE OF ADMINISTRATIVE AND PROFESSIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

SCHEDULE I

	2019	2019	2018
		Budget	(3 months)
ADMINISTRATIVE AND PROFESSIONAL EXPENSES			
Administration fee	\$ 85,312	\$ -	\$ 21,000
Board members' per diems	23,999	-	5,375
Bank charges (Note 4)	15,961	-	4,275
Insurance	4,000	-	1,000
Meeting costs	2,925	-	235
Office and miscellaneous	9,900	-	1,852
Professional fees	46,284	-	14,820
Travel and accommodations	21,091	-	2,197
	<hr/>		
	\$ 209,472	\$ -	\$ 50,754
