

Real Estate Compensation Fund Corporation
Financial Statements
March 31, 2026

Real Estate Compensation Fund Corporation

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For the year ended March 31, 2026

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To the Directors of the Real Estate Compensation Fund Corporation:

Opinion

We have audited the financial statements of the Real Estate Compensation Fund Corporation (the "Corporation"), which comprise the statement of financial position as at March 31, 2026, and the statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2026, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets 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.

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.

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.

Nanaimo, British Columbia

April 20, 2026

MNP LLP

Chartered Professional Accountants

Real Estate Compensation Fund Corporation

Statement of Financial Position

As at March 31, 2026

	2026	2025
FINANCIAL ASSETS	\$	\$
Cash	323,552	240,859
Investments (Note 3)	25,626,275	26,121,832
Accrued interest receivable	—	172,554
	<u>25,949,827</u>	<u>26,535,245</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	70,055	114,727
Reserve for claims liabilities (Note 4)	2,152,039	1,146,076
	<u>2,222,094</u>	<u>1,260,803</u>
NET FINANCIAL ASSETS	<u>23,727,733</u>	<u>25,274,442</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	1,890	—
ACCUMULATED SURPLUS	<u>23,729,623</u>	<u>25,274,442</u>
ACCUMULATED SURPLUS COMPRISES:		
Accumulated operating surplus	22,687,057	24,397,713
Accumulated remeasurement gains	1,042,566	876,729
	<u>23,729,623</u>	<u>25,274,442</u>

Approved by the Board:


Director

The accompanying notes are an integral part of these financial statements

Real Estate Compensation Fund Corporation
Statement of Operations and Accumulated Operating Surplus

For the year ended March 31, 2026

	2026 Budget (Note 5)	2026	2025
INVESTMENT INCOME (EXPENSES)	\$	\$	\$
Interest and other investment income	500,000	737,728	1,080,262
Investment management fees	(125,000)	(127,378)	(111,795)
Gain on disposal of investments	—	499,319	273,953
	<u>375,000</u>	<u>1,109,669</u>	<u>1,242,420</u>
DIRECT EXPENSES			
Payment of claims	500,000	1,520,732	86,000
Increase (reduction) of reserve claims liability (Note 4)	(400,000)	1,005,963	317,588
Hearing costs	25,000	—	15,624
	<u>125,000</u>	<u>2,526,695</u>	<u>419,212</u>
OPERATING EXPENSES			
Administrative and professional expenses - Schedule	<u>300,000</u>	<u>293,630</u>	<u>255,952</u>
ANNUAL SURPLUS (DEFICIT) FOR THE YEAR	(50,000)	(1,710,656)	567,256
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR	<u>24,397,713</u>	<u>24,397,713</u>	<u>23,830,457</u>
ACCUMULATED OPERATING SURPLUS, END OF YEAR	<u>24,347,713</u>	<u>22,687,057</u>	<u>24,397,713</u>

The accompanying notes are an integral part of these financial statements

Real Estate Compensation Fund Corporation

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2026

	2026	2025
	\$	\$
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	876,729	192,309
Unrealized gain on investments	665,156	958,373
Realized gain on disposal of investments	(499,319)	(273,953)
NET REMEASUREMENT CHANGES FOR THE YEAR	165,837	684,420
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	1,042,566	876,729

The accompanying notes are an integral part of these financial statements

Real Estate Compensation Fund Corporation

Statement of Changes in Net Financial Assets

For the year ended March 31, 2026

	2026 Budget (Note 5)	2026	2025
	\$	\$	\$
ANNUAL SURPLUS (DEFICIT) FOR THE YEAR	(50,000)	(1,710,656)	567,256
Net remeasurement changes for the year	100,000	165,837	684,420
	50,000	(1,544,819)	1,251,676
Change in prepaids	—	(1,890)	12,281
CHANGE IN NET FINANCIAL ASSETS	50,000	(1,546,709)	1,263,957
NET FINANCIAL ASSETS, BEGINNING OF YEAR	25,274,442	25,274,442	24,010,485
NET FINANCIAL ASSETS, END OF YEAR	25,324,442	23,727,733	25,274,442

The accompanying notes are an integral part of these financial statements

Real Estate Compensation Fund Corporation

Statement of Cash Flows

For the year ended March 31, 2026

	2026	2025
<u>CASH FROM (USED IN):</u>		
	\$	\$
OPERATING ACTIVITIES		
Annual surplus (deficit) for the year	(1,710,656)	567,256
Items not affecting cash:		
Increase (reduction) of reserve for claims liability	1,005,963	317,588
Gain on disposal of investments	(499,319)	(273,953)
	<u>(1,204,012)</u>	<u>610,891</u>
Changes in non-cash working capital:		
Decrease (increase) in accrued interest receivable	172,554	(85,690)
(Decrease) increase in accounts payable and accrued liabilities	(44,672)	54,334
(Increase) decrease in prepaid expenses	(1,890)	12,281
	<u>125,992</u>	<u>(19,075)</u>
Cash flow from operating activities	<u>(1,078,019)</u>	<u>591,817</u>
INVESTING ACTIVITIES		
Disposal (purchase) of investments, net	<u>1,160,712</u>	<u>(790,817)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	82,693	(199,000)
CASH, BEGINNING OF YEAR	<u>240,859</u>	<u>439,859</u>
CASH, END OF YEAR	<u>323,552</u>	<u>240,859</u>

The accompanying notes are an integral part of these financial statements

Real Estate Compensation Fund Corporation

Notes to the Financial Statements

For the year ended March 31, 2026

1. Nature of Operations

The Real Estate Compensation Fund Corporation ("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 in relation to real estate services that was either misappropriated or wrongfully converted; intentionally not paid over or accounted for; or obtained by the fraud of a licensee or individual.

Per legislative amendments passed by the Province of British Columbia in 2022, a single financial services regulator was created, the BC Financial Services Authority ("BCFSA"). BCFSA is a crown corporation and it appoints the majority of the Corporation's board.

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.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

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.

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has not made such an election during the year.

The Corporation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by using published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at cost.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost.

All financial assets except derivatives are tested annually for impairment. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Real Estate Compensation Fund Corporation

Notes to the Financial Statements

For the year ended March 31, 2026

2. Significant accounting policies (Continued from previous page)

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 operating surplus.

Investments

Investments with prices quoted in an active market are measured at fair value. Investments with prices quoted in an active market include pooled funds. Changes in fair value are recorded in the statement of remeasurement gains (losses).

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. Another key assumption used in the actuarial evaluation is the investment return expected to be earned on the fixed-income assets.

Revenue recognition

Income on investments is recognized in the period it is earned. Recovery of claims paid is recorded when received.

Statement of Remeasurement Gains and Losses

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement are distinguished from revenues and expenses reported in the statement of operations. The statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the statement of remeasurement gains and losses. Taken together, the two statements account for changes in a Corporation's net assets in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

Measurement uncertainty

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.

Significant estimates include accrued liabilities and reserve for claims liabilities.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

Real Estate Compensation Fund Corporation

Notes to the Financial Statements

For the year ended March 31, 2026

3. Financial Instruments

The Corporation as part of its operations carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency, credit or liquidity risks arising from these financial instruments except as otherwise disclosed.

Fair Value of Financial Instruments

Financial instruments measured at fair value on the statement of financial position have been classified in the fair value hierarchy as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	March 31, 2026
Fixed income	-	18,734,285	-	18,734,285
Equity securities	6,891,990	-	-	6,891,990
Total	6,891,990	18,734,285	-	25,626,275

	Level 1 \$	Level 2 \$	Level 3 \$	March 31, 2025
Fixed income	-	18,889,158	-	18,889,158
Equity securities	7,232,674	-	-	7,232,674
Total	7,232,674	18,889,158	-	26,121,832

PSAS requires an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1

Unadjusted quoted market prices in an active market for identical assets or liabilities;

Level 2

Observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities; and

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation enters into transactions for which the market price fluctuates. The Corporation's equity securities of \$6,891,990 (2025 - \$7,232,674), are exposed to other price risk.

The Corporation manages its other price risk through its investment policy, determining a maximum exposure level for other price risk, as well as monitoring its equity securities and assessing overall performance.

Real Estate Compensation Fund Corporation
Notes to the Financial Statements
For the year ended March 31, 2026

4. Reserve for claims liabilities

	2026	2025
	\$	\$
Balance at beginning of year	1,146,076	828,488
Provision for claims liabilities	1,005,963	317,588
Balance at end of year	2,152,039	1,146,076

The reserve represents an actuarial evaluation of the anticipated future claims, as at the Statement of Financial Position date.

5. Budget information

The disclosed final budget information was approved by the Board of Directors of the Real Estate Compensation Fund Corporation on May 5, 2025.

	2026
	\$
Budgeted surplus as approved by the Board	50,000
Fair market value adjustment on investments	(100,000)
Statement of operations budgeted deficit	(50,000)

6. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Real Estate Compensation Fund Corporation
Schedule of Administrative and Professional Fees

For the year ended March 31, 2026

	2026 Budget (Note 5) \$	2026 \$	2025 \$
Administration fee	114,000	113,468	102,375
Bank charges	-	431	25
Directors' fees	24,500	23,629	23,000
Education	10,000	6,028	9,323
Insurance	13,100	13,057	13,159
Marketing	40,000	3,294	12,036
Meeting costs	18,000	10,382	24,644
Office and miscellaneous	12,400	6,683	9,010
Professional fees	68,000	116,658	62,380
	<u>300,000</u>	<u>293,630</u>	<u>255,952</u>

The accompanying notes are an integral part of these financial statements