



RECBC REAL ESTATE COUNCIL  
OF BRITISH COLUMBIA

Real Estate Council of British Columbia  
Annual Report 2017

# FOCUS FORWARD





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## ABOUT THIS REPORT

This report describes the work and activities of the past year, highlighting achievements and milestones towards accomplishing the Real Estate Council's mandate. It reflects the efforts and dedication of many individuals—staff members, Council members, and volunteers on the Council's committees and advisory groups—who have committed their time and expertise to safeguarding the public interest in real estate transactions.

All statistical information and Council member listings reported in this Annual Report are as of fiscal year end June 30, 2017.

*Note: Due to changes in data collection practices, year-to-year comparisons are not always available.*

## ABOUT THE REAL ESTATE COUNCIL OF BRITISH COLUMBIA

The Real Estate Council of BC protects consumers and serves the public interest by regulating licensed real estate professionals. We:

- licence individuals and brokerages engaged in real estate sales, rental property management and strata management;
- set and enforce standards for entry qualifications;
- monitor and maintain standards of practice through our proactive Office and Records Inspection Program;
- investigate complaints against real estate licensees on behalf of the public; and
- discipline licensees who have breached the *Real Estate Services Act* and committed professional misconduct.

**RECBC** REAL ESTATE COUNCIL  
OF BRITISH COLUMBIA

# Timeline of Regulatory Reform

**February 2016** Council initiates the formation of an Independent Advisory Group (IAG) to address concerns about the conduct of real estate licensees and make recommendations to strengthen the regulatory framework for the real estate industry.



**June 2016** The IAG releases its final report, *On Conduct and Practices in the Real Estate Industry in British Columbia*, containing 28 major recommendations to increase consumer protection.

Government commits to ensuring that all the recommendations are implemented.

**July-August 2016** Government introduces and passes amendments to the *Real Estate Services Act*, as part of the Housing Priority Initiatives Bill. Amendments include:

- significant increases to discipline penalties for misconduct by real estate licensees
- increased oversight of the Council by an independent Office of the Superintendent of Real Estate
- the transfer of rule making authority from the Council to the Office of the Superintendent of Real Estate
- replacement of the elected Council with an entirely government-appointed Council.

**September 2016** New discipline penalties come into effect, for conduct that occurs on or after September 30, 2016. The maximum penalty for individuals is \$250,000 per contravention; for brokerages the maximum is \$500,000 per contravention.

**October 2016** A dedicated Superintendent of Real Estate is appointed, and assumes responsibility for the implementation of IAG recommendations requiring Rule changes.

The Chair, Vice-Chair and members of the Council are appointed, replacing the elected Council members as the governing body for the Real Estate Council of BC.

The Council develops and begins implementation of measures to respond to the IAG recommendations that remain within its jurisdiction.

# A Year of Change

“THE YEARS AHEAD WILL BE CRUCIAL IN DELIVERING A STRONG, SUSTAINABLE, JUST AND COLLABORATIVE REGULATOR.”

It gives me great pleasure to present my first annual report as Chair of the Real Estate Council of British Columbia. This has been a year of very significant change. The close of fiscal year 2016 saw the release of the *Report of the Independent Advisory Group on Conduct and Practices in the Real Estate Industry in BC*, with its 28 recommendations for strengthening consumer protection and enhancing the regulation of real estate professionals. Soon after, Government amended the *Real Estate Services Act*, ending self-regulation of the real estate industry.

Those events have propelled the Council along a path of reform and renewal. With the direction provided by the Independent Advisory Group report, and the legislative changes of August 2016, the Council is undertaking a thorough review of many of its approaches, with the goals of rebuilding public confidence in the regulation of the real estate sector and ensuring that all BC consumers have access to knowledgeable, skilled, ethical real estate professionals.

This annual report summarizes the diligent work that has taken place in the past year to ensure that the Council fulfills its mandate to protect the public interest as a professional regulator.

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## OUR COMMITMENT TO THE PUBLIC

Informed consumers are protected consumers, and we are taking steps to find innovative ways to reach members of the public, to ensure they have access to timely, relevant, easy-to-use information on real estate topics. Engaging in constructive and open dialogue with our stakeholders and the public will be vital to ensuring that the Council is responsive, flexible and adaptive to consumer expectations and concerns. In the past year we have made key changes to increase the transparency of our disciplinary and decision-making processes, so that consumers can have confidence in the results.



## MESSAGE FROM THE CHAIR

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### OUR COMMITMENT TO LICENSEES

We will continue and intensify the efforts initiated over the course of this year to enhance adherence to professional practice standards. Fundamental to all of this is recognition that licensees are fiduciaries. The professional relationship between a licensee and a consumer is not based on “buyer beware.” The public interest in maintaining the integrity of the real estate market recognizes that consumers must have licensees they can trust for information, advice and service. As one judge put it when explaining the importance of regulation of professionals: “not all relationships are characterized by a dynamic of mutual autonomy, and the marketplace cannot always set the rules.”<sup>1</sup> Regulation aims at maintaining public confidence that licensees will be loyal, honest and adhere on a consistent basis to the high standards of their profession.

Part of Council’s work on this involves education and information resources for licensees. We are undertaking a thorough review of licensing education, and will work together with our partners in education delivery to ensure that licensees enter the industry not just knowing the technical aspects of the real estate business, but also the professional standards that must be met to ensure the faithful and loyal delivery to clients of competent, reliable advice and services. Similarly, we are reviewing continuing education

requirements. In a changing world, keeping up to date is imperative.

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### OUR COMMITMENT TO GOVERNMENT

To deliver consistent, effective, efficient and timely regulation of the real estate industry, and to implement the recommendations of the Independent Advisory Group, the Council is undertaking significant organizational rebuilding, to become a more effective regulator and ensure the safety of BC real estate consumers.

We will continue to work closely with the Office of the Superintendent of Real Estate, our co-regulator and oversight body, to administer the *Real Estate Services Act* and deliver on our shared mandate of public protection.

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### THANKS AND APPRECIATIONS

Continuing to regulate thousands of real estate licensees while undergoing a change in governance such as the Council has experienced in the past fiscal year would not have been possible without the sustained efforts of many committed individuals. I would like to thank my fellow members of the first entirely government-appointed Real Estate Council of BC for their leadership, service and dedication. I am also grateful to Executive Officer Erin

Seeley and the hardworking staff of the Council for their efforts over the past year, and to Superintendent of Real Estate Micheal Noseworthy and his staff for their collaboration on the shared responsibility of regulation.

I extend my thanks to the former members of Council who led the organization from the beginning of the fiscal year until October 2016, for their assistance in ensuring a smooth transition for the new, government-appointed Council.

Lastly, I would like to thank the many dedicated real estate professionals and public representatives who contribute their time and expertise on the Council’s advisory groups and committees. You are an invaluable part of the Council’s organizational and regulatory efforts. Thank you for your commitment to the regulation of the real estate profession.

I look forward to continuing progress on the important initiatives the Council is pursuing to advance public protection and to lead as a regulator in the public interest. The years ahead will be crucial in delivering a strong, sustainable, just and collaborative regulator. I am confident that together we can meet these challenges.

Sincerely,



ROBERT D. HOLMES, Q.C.  
CHAIR

<sup>1</sup> *Hodgkinson v. Simms*, [1994] 3 SCR 377 <http://canlii.ca/t/1frpl>

# Building a Future of Regulatory Excellence

I am pleased to report that over the past fiscal year, the Real Estate Council of BC achieved a number of significant milestones in the implementation of the recommendations from the Independent Advisory Group, while working with our Council members and partners to focus on an exciting future.

Our accomplishments this year include:

- In September 2016, we raised entry standards by increasing the required passing grade for all licensing exams and Applied Practice Course assessments to 70%.
- We introduced online licence renewal applications for all licensees—an important first step in a multi-phased approach to increasing online services for licensees.
- In December 2016, we made changes to our publication policies in order to increase the transparency of our disciplinary processes and the outcomes—including making all licence conditions or restrictions easily accessible online to members of the public.

- Also in December, we introduced new bylaws allowing the Council to hold pre-hearing conferences, in order to help ensure that unrepresented respondents are informed about hearing procedures and prepared for their upcoming disciplinary hearing.
- We have improved public access to the complaints and disciplinary process, by publishing notices of hearings on the Council's website.
- We have increased our risk assessment and proactive monitoring of consumer protection issues by establishing a staff Consumer Protection Issues Identification team.

These advances, and the many others that we have made over the past year, support our goal of being a leading regulator in the public interest. As we prepare for the challenges of the future we will continue to meet our legislated mandate to protect the public and to ensure the professional competence of our licensees, while taking account of the very dynamic environment in which we operate.



“WE ARE WORKING TO IDENTIFY AND MONITOR KEY PERFORMANCE INDICATORS THAT WILL HELP GUIDE US TOWARD OUR GOAL OF EXCELLENCE.”

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## ACKNOWLEDGEMENTS

I would like to acknowledge the leadership of the Council’s Chair, Robert Holmes, and the other members of Council. Their dedication to fostering change in the Council’s approach to regulating has served us well over the past year, and will continue to help us achieve our goals of rebuilding public confidence and enhancing protection in the years to come. I am grateful for the support and cooperation of the Office of the Superintendent of Real Estate, and of Superintendent Micheal Noseworthy, as our organizations navigate a new regulatory landscape together. And I extend my thanks to my predecessor, Robert Fawcett, who retired in October 2016 after many successful years as Executive Officer.

Finally, I want to thank the staff members at the Council, who have all engaged deeply in the work of examining our practices and procedures, finding fresh solutions, and trying new things. Your willingness to embrace change, your enthusiasm for working towards

a new future for the Council, and your commitment to the hard work of regulation are all deeply appreciated. You can take pride in the Council’s record of quality client service, thorough investigations and careful oversight and audits.

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## OUR PRIORITIES FOR THE COMING YEAR

The significant and historic changes that have taken place over the past year will have a lasting impact for consumers and real estate licensees. The work that has taken place clearly outlines the path for the Council as we move forward in a real estate marketplace that continues to be transformed by globalization, evolving public expectations for consumer protection measures, and legislative and regulatory changes.

During the next fiscal year the Council will continue to focus on our commitment to rebuild public trust. We know real change will require the participation of many organizations and individuals: within the real estate industry,

in related fields, and the public. We are committed to engaging broadly with our diverse stakeholders to develop a three-year strategic plan to guide our work and move us further towards our vision of the Council as a trusted and valued leader in real estate regulation.

We want to be sure that the work we undertake is effective, and demonstrably so. To that end, we are working with staff to identify and monitor key performance indicators that will help guide us towards our goal of excellence.

I am deeply conscious that there are challenges ahead for the Council, both for staff and our governing Council members, as we continue to work towards full implementation of the recommendations from the Independent Advisory Group. And I am very confident that we will meet those challenges, and meet them ably.

Sincerely,



ERIN SEELEY,  
EXECUTIVE OFFICER



# Educating and Licensing Professionals

*Promoting regulatory compliance, consumer protection and competent real estate service through licensing education and continuing professional education.*

The Real Estate Council sets the educational requirements to qualify for licensing. Over the past year we have worked with our partners in course delivery, the University of British Columbia and the British Columbia Real Estate Association, to ensure our licensing education programs continue to reflect current best practices for adult education.

Interest in entering the real estate profession remained high through the past fiscal year, continuing the trend established over the past several years. The Council took additional steps in 2017 to ensure that new licensees enter the profession with a high level of skill and knowledge.

The Council's licensing education program is designed to equip licensing candidates to understand and comply with the legislated conduct standards for licensed real estate professionals. To qualify for licensing, individuals must successfully complete licensing course assignments and pass a licensing exam.

Individuals who want to provide trading services must also complete a six-month Applied Practice course including a mentorship period, which prepares them for the realities of practice by focusing on the regulatory requirements and providing hands-on practical experience.

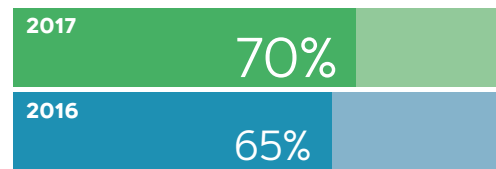
## Highlights

In September 2016, the Council raised the required passing grade on all real estate licensing examinations in BC to 70%.

In 2017, the Council initiated a comprehensive review of its educational programming, publishing a Request for Proposals seeking responses from qualified proponents to undertake an audit and environmental scan of real estate licensing and continuing education.

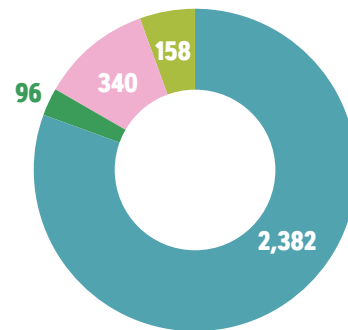
## EDUCATING AND LICENSING PROFESSIONALS

### Passing Grade Required



Increase: **5%**

### Licensing Examinations and Assessments



Total: **2,976**

- Managing Brokers Licensing Examination
- Rental Property Management/ Supplemental Exam
- Strata Management/ Supplemental Exam
- Trading Services/Supplemental Exam

### CONTINUING EDUCATION

As part of the Council's commitment to ensuring that licensees continue to build the necessary knowledge and skills to comply with the requirements of the *Real Estate Services Act* and other legislation that may impact their practices, all licensees must complete mandatory continuing education. In each two year licence cycle period, every licensee must satisfy the Council's Relicensing Education Program requirement by completing an applicable Legal Update course. The Council works closely with its continuing education providers, the British Columbia Real Estate Association, the Professional Association of Managing Agents, and the University of British Columbia, to provide current, relevant content and professional skills development in each Legal Update course.

### Highlights

As part of its focus on competency practice and related learning outcomes, the Council is working with its education providers to maximize learning and skills development in its mandatory continuing education program.

In the past year, 11,770 licensees completed a Legal Update course in fulfillment of their Relicensing Education Program requirement.

### LICENSING QUALIFIED APPLICANTS

Before granting a licence, the Council reviews each applicant’s credentials, including education, training, and relevant experience. The Council requires photo identification, a criminal record check and background information on the applicant’s financial history to ensure that each applicant meets the Council’s Good Reputation requirements. The Council carefully considers any investigations, disciplinary actions or practice restrictions from other regulatory bodies to ensure that only qualified, competent and ethical applicants become licensed to provide real estate services to BC consumers.

### Highlights

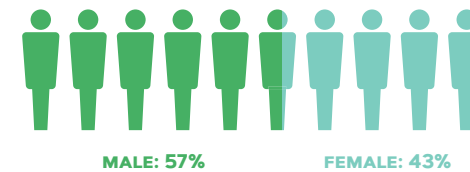
- In September 2016 online licence renewals were introduced for all individual licensees, as the first phase of an extended plan to move many of the Council’s licensing services online. Provision of online services is part of the Council’s ongoing commitment to delivering a high standard of client service.
- In 2016 the Council introduced a mandatory requirement that all licensing applicants provide a copy of government issued photo identification in addition to the required criminal record check and financial background information, as part of the application.

#### New Licensees by Category of Licence

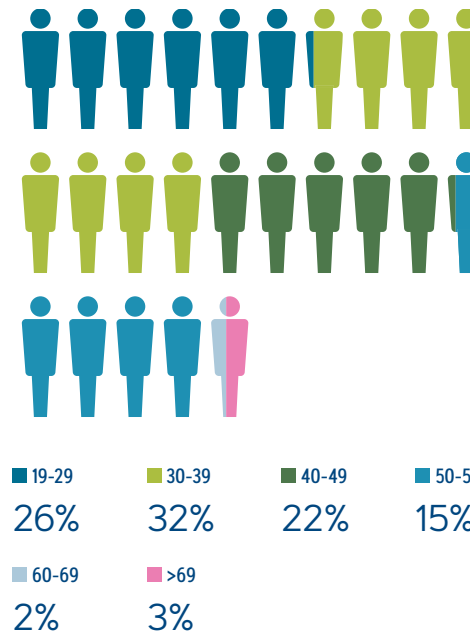
|   |                          |
|---|--------------------------|
| Trading Services                                | 91%                      |
| Rental Property Management                      | 4%                       |
| Strata Management                               | 3%                       |
| Trading Services and Rental Property Management | 2%                       |
| <b>Total</b>                                    | <b>2,741</b> <b>100%</b> |

### New Licensees Demographics

#### GENDER



#### AGE



## EDUCATING AND LICENSING PROFESSIONALS

### Current Licensees by Level of Licence

|                  |     |
|------------------|-----|
| Associate Broker | 6%  |
| Managing Broker  | 6%  |
| Representative   | 88% |

**Total**                      **24,951**      **100%**

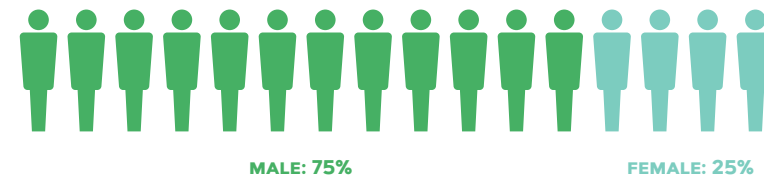
### Current Licensees by Length of Licensing

|       |     |
|-------|-----|
| 0-5   | 34% |
| 6-10  | 21% |
| 11-15 | 43% |
| 16-20 | 1%  |
| 21-25 | 1%  |

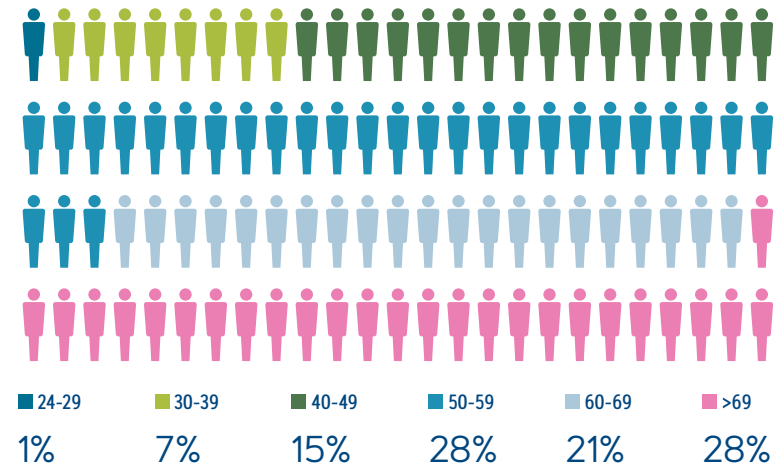
**Total**                      **100%**

### Managing Broker Demographics

#### GENDER



#### AGE



**TOTAL MANAGING BROKERS: 1,368**



## Protecting the Public

*Taking action to protect the public interest by investigating complaints, disciplining misconduct, addressing concerns and providing information and advice.*

Protecting the public is at the heart of the Council's mandate, and our most important duty. All of our regulatory activities are guided by this overarching priority.

When a consumer files a complaint about the conduct of a real estate licensee, the Council conducts a thorough review. Any allegations that a real estate licensee may be putting consumers at risk are taken very seriously by the Council's investigative team.

If, following an investigation and disciplinary proceedings, allegations of misconduct are proven or admitted, the Council's Disciplinary Committee has the power to impose a range of disciplinary penalties, including fines and/or licence restrictions, suspensions and cancellations.

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### **BROKERAGE AUDIT AND INSPECTION PROGRAM**

Every year, the Council's auditors crisscross the province, conducting inspections at hundreds of real estate brokerages to ensure

that each business is taking the required steps to safeguard consumers' money held in trust. During these inspections our auditors also review transaction records to test that the brokerage and its licensees are complying with the requirements of the *Real Estate Services Act*, Regulation and Rules.

We will conduct special audits of brokerages when we have concerns arising from the Accountant's Report that each brokerage must submit to the Council annually, when a previous audit has uncovered issues that the brokerage must correct, or when we have received a complaint about a brokerage's business practices.

At each brokerage inspection, our auditors review:

- Brokerage books and records
- Trade records, contracts and/or service agreements
- Required written disclosures filed by licensees, including disclosures of personal acquisition and disposal of real estate, disclosures of remuneration, and Notices to Seller Regarding Assignment Terms forms.

## PROTECTING THE PUBLIC

When serious deficiencies are discovered during an inspection, the Council's Legal Department is alerted. If a Discipline Hearing Committee finds that there has been a contravention of the *Real Estate Services Act*, Regulation or Rules, the Committee may impose fines or licence restrictions, and may suspend or cancel the licences of the licensees involved.

Inspections are conducted when:

- A complaint has been received
- Exceptions are noted on Accountant's Reports filed by the brokerage
- Previous audit reports identified deficiencies
- A brokerage or branch office has opened for business in the past year
- As a result of suspensions due to disciplinary orders.

## Highlights

This year, we:

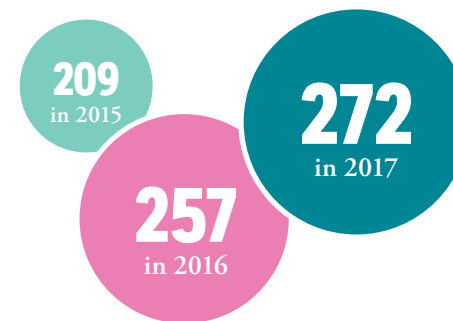
- initiated development of new risk analysis tools for use during brokerage audits, and
- created a Consumer Issues Identification Team to identify and respond to emerging risks in the real estate industry.

## Brokerage Audits and Inspections

### 2017 AUDITS BY CAUSE

|                                     |            |
|-------------------------------------|------------|
| Update Inspection History           | 78         |
| First Year Inspections              | 64         |
| New/Reinstated Managing Broker      | 31         |
| Accountant's Report Concerns        | 25         |
| Books and Records                   | 12         |
| Suspension                          | 11         |
| Complaint/Inquiry Initiated         | 8          |
| Assisting Compliance                | 6          |
| Change of Directors/Managing Broker | 1          |
| Other                               | 36         |
| <b>Total</b>                        | <b>272</b> |

### ANNUAL AUDITS: 2015-17



## PROTECTING THE PUBLIC

### INVESTIGATIONS

The Council opens an investigation file for every formal complaint we receive. Complaints come from consumers, from other licensees, from local real estate boards, and from other regulators or law enforcement agencies.

- Every complaint is carefully assessed to ensure that the Council has jurisdiction and that there is sufficient evidence to warrant an investigation.
- Council compliance officers contact the complainant to develop a clear understanding of the complaint and to ensure that the complainant understands our investigation and discipline process and potential outcomes.
- Licensees and their managing brokers receive copies of the complaint and are asked to provide the Council with a written response, and copies of all documents that relate to the complaint. The Council may interview the licensee and any third parties involved.
- Where warranted, the complaint proceeds to the Council's Complaints Committee, whose responsibility it is to review the complaint, the responses received from the licensee, and the results of the Council's investigation.

The purpose of our investigation is to determine whether there appears to have been professional misconduct that contravenes the *Real Estate Services Act*, Regulation, Bylaws or Rules, or whether there has been conduct unbecoming a licensee.

If the Complaints Committee is satisfied that there is no indication of professional misconduct or conduct unbecoming a licensee, the Committee will close the file. If it appears that the licensee may have committed professional misconduct or conduct unbecoming a licensee, the Complaints Committee may recommend that the licensee receive a letter of advisement or recommend disciplinary action.

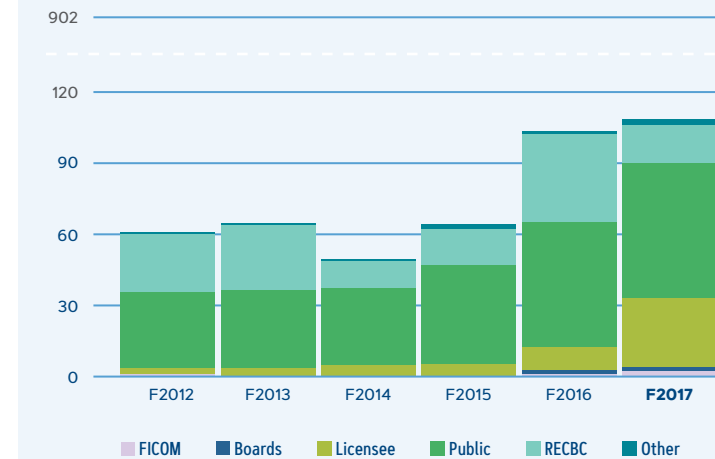
### Highlights

- The Council increased its investigative capacity in 2017, adding two new compliance officers to its team and recruiting for two more next year.
- We have developed an implementation plan and will introduce an anonymous reporting channel, including a 1-800 line and secure online tips forms in 2017.
- We are expanding our information-sharing agreements with other regulatory and enforcement agencies, in order to increase our ability to monitor licensee compliance with other legal and regulatory regimes that govern their conduct.

### Complaints by Source

|                    |            |             |
|--------------------|------------|-------------|
| Real Estate Boards | 23         | 3%          |
| Other Regulators   | 35         | 4%          |
| Licensees          | 241        | 27%         |
| Public             | 470        | 51%         |
| RECBC initiated    | 133        | 15%         |
| <b>Total</b>       | <b>902</b> | <b>100%</b> |

#### COMPLAINTS BY SOURCE: 2012-17



## PROTECTING THE PUBLIC

### Compliance Dispositions

#### FILES CLOSED WITHOUT FURTHER ACTION

|  |            |
|--|------------|
| Insufficient Evidence                                    | 233        |
| No Jurisdiction  | 207        |
| Complaint Abandoned/Withdrawn                            | 88         |
| Complaint Informally Resolved                            | 49         |
| No Further Action Recommended by<br>Complaints Committee | 49         |
| Qualification Hearing Required on<br>Re-application      | 6          |
| Compensation Claim Denied                                | 4          |
| Suitability File Approved                                | 2          |
| <b>Total</b>   | <b>638</b> |

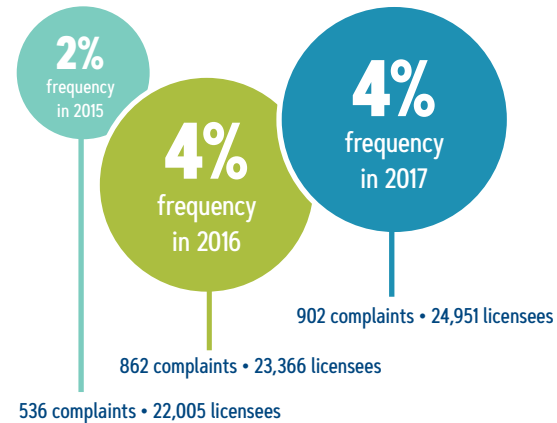
Investigations opened and dispositions in a single year are not related and should be read as separate figures.

#### FURTHER ACTION

|                        |            |
|------------------------|------------|
| Administrative Penalty | 68         |
| Letter of Advisement   | 64         |
| Hearing Recommended    | 343        |
| <b>Total</b>           | <b>475</b> |

#### FREQUENCY OF COMPLAINTS

Frequency of Complaints = the number of complaints investigated divided by the number of licensees.



## DISCIPLINARY AND HEARING PROCESSES

The Council has the authority under the *Real Estate Services Act* to hold formal disciplinary hearings. In the event that a licensee wishes to resolve the matter without going to hearing, the licensee may make a proposal to settle the matter by way of consent order. Consent order proposals are reviewed by a Consent Order Review Committee, which may accept or reject the proposed consent order.

### Hearings and Consent Orders

|                               |     |
|-------------------------------|-----|
| Consent Orders                | 107 |
| Special Compensation Hearings | 4   |
| Qualification Hearings        | 4   |

The *Real Estate Services Act* allows a Discipline Committee to impose a range of disciplinary sanctions if it determines that a licensee has committed professional misconduct or conduct unbecoming a licensee. The committee may:

- reprimand the licensee;
- suspend the licensee’s licence for a period of time and/or until specified conditions are met;
- cancel the licensee’s licence;
- impose restrictions or conditions on the licensee’s licence;

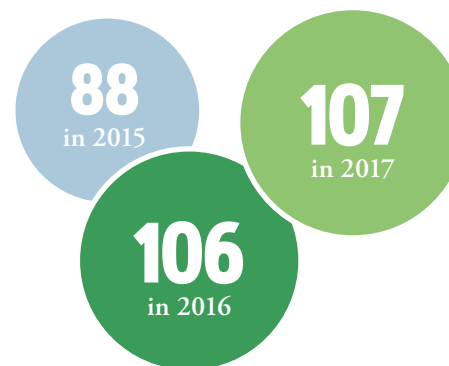
- require the licensee to cease or carry out any specified activity related to the licensee’s real estate business;
- require the licensee to complete remedial education;
- require the licensee to pay a disciplinary penalty.

Disciplinary penalties for conduct occurring prior to September 30, 2016 are limited to a maximum of \$20,000 for brokerages or former brokerages, or \$10,000 for individuals. Conduct occurring on or after September 30, 2016 may be penalized up to \$500,000 for brokerages and to a maximum of \$250,000 per contravention for individuals.

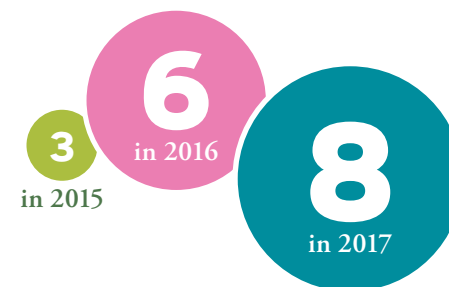
### Legal Dispositions

|   |            |
|---|------------|
| Fines                                       | 59         |
| Reprimands Issued                           | 33         |
| Files Dismissed                             | 36         |
| Letters of Advisement Issued                | 19         |
| Suspensions Issued                          | 12         |
| Licences Cancelled                          | 6          |
| Suspensions and Discipline Penalties Issued | 3          |
| Licensee Withdrawals from Industry          | 2          |
| <b>Total</b>                                | <b>170</b> |

### Consent Orders Annually 2015-17



### Hearings Annually 2015-2017\*



\* Includes Discipline Hearings, Special Compensation Hearings, and Qualification Hearings



# Engaging with Consumers and Licensees

*Providing timely, relevant and accurate information about real estate services to consumers and licensees is essential to the Council's mission to protect the public. Our goal is to ensure that everyone can access easy-to-use information about key real estate topics.*

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## PROFESSIONAL STANDARDS ADVISORS

The Council's Professional Standards Advisors, introduced in January 2016, act as a resource for licensees, directing them to the appropriate areas of the *Real Estate Services Act*, Regulation or Rules and answering questions about the required standards of conduct in professional situations. The Professional Standards Advisors also help members of the public understand what they can expect from a real estate licensee, and when they may—or may not—have a basis for a complaint regarding a licensee's actions.

Looking ahead, we expect the Professional Standards Advisory services to continue growing and evolving through ongoing engagement with the profession and in response to consumer needs.

## Highlights

- We increased the advisory capacity of the Professional Standards department, adding an additional advisor to respond to questions from licensees and consumers.
- We expanded our outreach to consumer and industry groups by Professional Standards Advisors, responding to the growing need for support and resources to foster industry best practices.

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## Information and Outreach

### RESPONDING TO INQUIRIES: 2017

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**Total Inquiries: 8,539**

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**ANNUAL CONSUMER INQUIRIES: 2016-17**



**ANNUAL LICENSEE INQUIRIES: 2016-17**



\*2016 figures are for January 2016–June 2016.

**Inquiries by Type of Real Estate Service**

|                            |     |
|----------------------------|-----|
| Trading Services           | 77% |
| Rental Property Management | 11% |
| Strata Management          | 7%  |
| Other Inquiries            | 5%  |

**INCREASING TRANSPARENCY AND ACCESS TO INFORMATION**

Ensuring that members of the public have access to the information they need to make informed decisions when buying, selling, renting or leasing real estate is a key component of the Council’s consumer protection mandate. Increasing our capacity to provide timely and high-quality information for consumers and licensees will continue to be a particular area of focus for the Council in the coming years.

**Reaching Diverse Communities**

In 2017 we increased our outreach to many of BC’s language communities by providing translated versions of key consumer resources, including:

- *Buying a Home in BC*
- *Selling a Home in BC*
- *Report of the Independent Advisory Group on Conduct and Practices in the Real Estate Industry in BC*

Our consumer guides are now available on the Council’s website in English, Punjabi, Persian, Simplified and Traditional Chinese.

**Guiding Licensees**

The Council supports real estate licensees by developing information resources and guidelines that address key areas of practice and respond to emerging issues and topics. From newsletter articles, to online FAQs, infographics and downloadable resources, we promoted the professionalism of real estate licensees by ensuring that new information was easy to access and to understand.

### Highlights

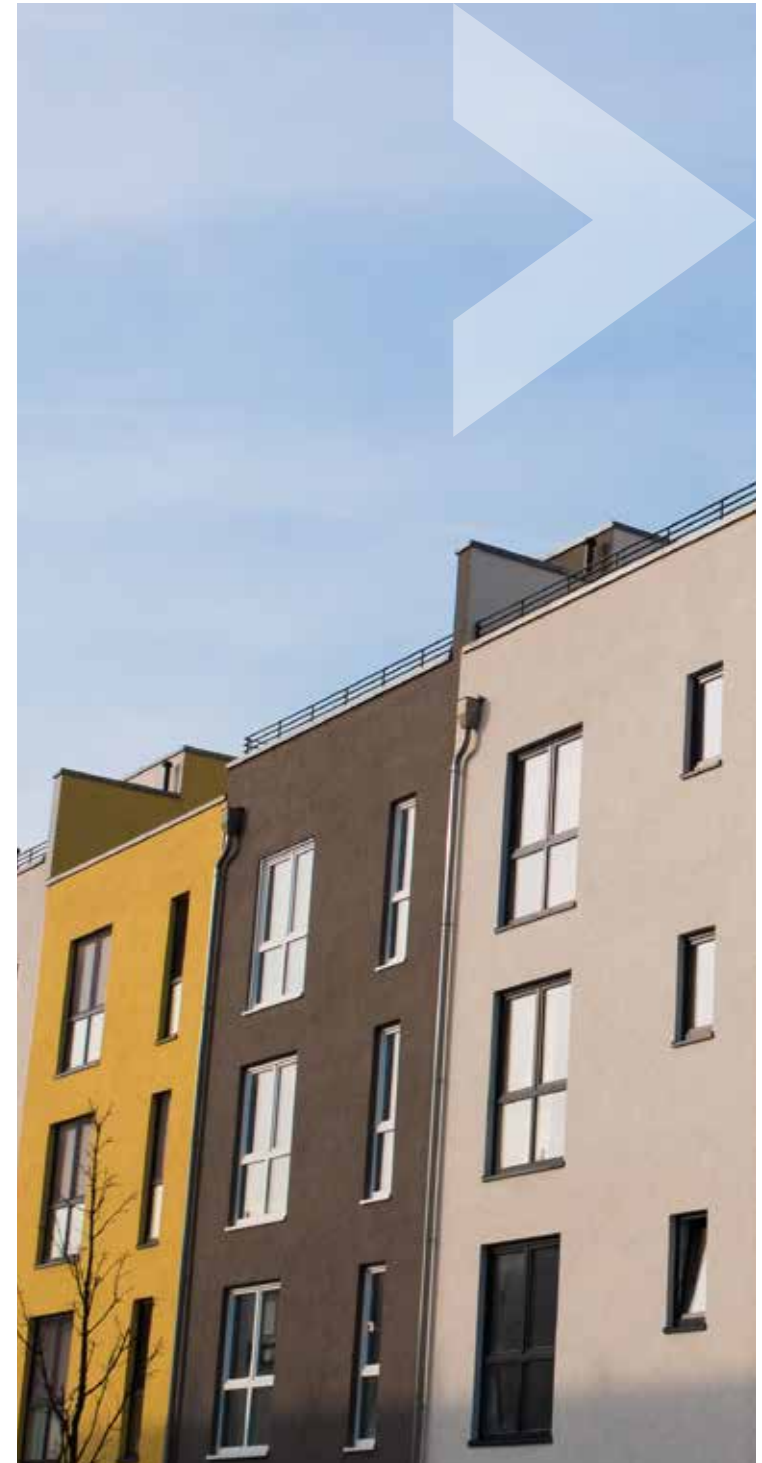
In 2017 we introduced new information resources on:

- Additional Property Transfer Tax
- Photo identification requirements for licence applications
- Real estate fraud alerts
- Actions against unlicensed activity
- Duty to report suspicious transactions
- Introduction of new discipline penalties
- Governance changes and the end of self-regulation
- Increases to licensing examination requirements
- FINTRAC reporting requirements
- Obligations of non-resident sellers
- Vancouver's Empty Homes Tax
- Adding buyers to a contract of purchase and sale
- Completing online renewals
- Changes in required fees and assessments

We have implemented changes to our website and discipline publication policies to increase public access and awareness of licensee discipline. These include:

- increasing the length of publication, from 1 year to 5 years for minor contraventions and from 5 years to 10 years for more serious discipline;
- publishing plain language summaries of discipline decisions;
- publishing licence conditions and restrictions in search results from the online licensee database;
- linking search results from the Council's online licensee database to discipline decisions so that members of the public can easily discover if a licensee has been disciplined.

We have received \$250,000 in matching funding over three years from the Real Estate Foundation of BC for the development and implementation of a multi-year consumer education campaign to increase public awareness and help ensure that consumers have the knowledge and skills to make informed decisions about real estate transactions in their own best interests.



# Our Mandate, Mission, Vision and Values

## Mandate

The Real Estate Council of British Columbia protects the public interest by enforcing the licensing and licensee conduct requirements of the *Real Estate Services Act* (RESA). The Council is responsible for licensing individuals and brokerages engaged in real estate sales, rental and strata property management. The Council enforces entry qualifications, investigates complaints against licensees and imposes disciplinary sanctions under the Act.

The Council sets the educational requirements for individuals seeking to be licensed as real estate practitioners and arranges for licensing courses and examinations as part of the qualification requirements for licensing. Under the authority of the Council, licensing courses are delivered by the University of British Columbia's Sauder School of Business (Real Estate Division).

## Mission

The Real Estate Council of British Columbia protects the public interest by assuring the competency of real estate licensees in BC and ensuring their compliance with the *Real Estate Services Act*. The Council is accountable to—and advises government on—industry issues and encourages public confidence by impartially setting and enforcing standards of conduct, education, competency and licensing for real estate licensees in the province.

## Vision

A regulatory organization that is a leader in industry integrity, innovation and viability.

## Values

The Council operates with the following principles and values:

- **Consultative Approach:** Council supports a regular consultative approach with industry groups, government and the public.
- **Impartial, Effective Processes:** Council members and staff are impartial in setting and enforcing standards of conduct through effective education, licensing and compliance processes.
- **Cost-effective & Responsive Services:** Council management and staff work to provide cost-effective, responsive services to consumers and the real estate industry by using current professional business practices and technology.
- **Open Communications & Trust:** Council members and staff work co-operatively to create a working environment where frank and open communications and trust prevail.

# Committees and Advisory Groups

|  |   |
|--|---|
| <b>Complaints Committee</b>              | The Complaints Committee orders hearings to determine whether a licensee has committed professional misconduct or conduct unbecoming a licensee, pursuant to section 35 of the <i>Real Estate Services Act</i> .  |
| <b>Consent Order Review Committee</b>    | The Consent Order Review Committee ensures that consent orders result in fair and appropriate decisions, and either accepts, varies or rejects penalty recommendations.   |
| <b>Education Advisory Group</b>          | The Education Advisory Group is a forum for input from industry sources, stakeholder organizations and educational institutions to strengthen and evolve real estate education.   |
| <b>Education and Licensing Committee</b> | The Education and Licensing Committee considers educational exemption requests, liaises with the Education Advisory Group to ensure Council is well-informed on educational issues, and researches and reports on issues affecting education and licensing. |
| <b>Finance and Audit Committee</b>       | The Finance and Audit Committee oversees the budget, financial reporting and management obligations of Council, identifying education and training for Council members, and providing advice to assist Council in meeting its fiduciary responsibilities.   |
| <b>Governance Committee</b>              | The Governance Committee assesses the governance practices and policies of the Council, and makes recommendations on these matters to the Council.  |
| <b>Hearing Committees</b>                | Hearing Committees are convened to conduct disciplinary hearings, special compensation hearings, and qualification hearings.  |
| <b>Strata Management Advisory Group</b>  | The Strata Management Advisory Group is a forum for industry and public representatives to bring concerns and/or recommendations concerning strata management issues to the Council.  |
| <b>Trading Services Advisory Group</b>   | The Trading Services Advisory Group is a forum for industry and public representatives to bring concerns, and/or recommendations regarding residential trading services to the Council.   |

# Governance

The Council is comprised of up to 16 members appointed by the provincial government. The role of the Real Estate Council of BC and its authority and powers are set out in the *Real Estate Services Act*, the Regulation, and the Bylaws made under the Act.

## Council Members

Robert Holmes, Q.C. • Chair  
Robert Gialloreto • Vice Chair  
John Lawrence Daly

Sandra Lynn Heath  
Len Hrycan  
Kevin Peter Lonsdale

Gerald Lawrence Martin  
Elana Valerie Mignosa  
Sukhmander S. Sidhu

Laurie Marie Sterritt  
William Thomas Styffe  
Maili Wong



**STANDING,  
LEFT TO RIGHT:**  
Sukhmander Sidhu,  
Thomas Styffe,  
Elana Mignosa, John  
Daly, Erin Seeley, Gerry  
Martin, Rob Gialloreto  
**SEATED,  
LEFT TO RIGHT:**  
Kevin Lonsdale, Laurie  
Sterritt, Robert Holmes,  
Len Hrycan, Maili Wong  
*Absent: Sandra Heath*

# Staff

The day-to-day management of the Council staff is the responsibility of the Executive Officer. The management team and staff support the delivery of programs and services for consumers and licensees.

## Council Senior Staff

Erin Seeley • Executive Officer  
Lisa Holst • Director, Accounting & Audit  
Geoff Thiele • Director, Legal Services

Maureen Coleman • Manager, Professional Standards  
Caroline Allen • Manager, Licensing Education  
Lisa Kern • Senior Supervisor, Licensing  
Patrick Poyner • Manager, Compliance

Marilee Peters • Manager, Communications  
Debbie Morreau • Information Technology  
Project Manager/Business Analyst  
Bernice Gordon • Manager, Human Resources



**STANDING,  
LEFT TO RIGHT:**  
Bernice Gordon, Lisa  
Holst, Marilee Peters,  
Lisa Kern, Caroline Allen.  
**SEATED,  
LEFT TO RIGHT:**  
Debbie Morreau,  
Erin Seeley, Geoff Thiele,  
Maureen Coleman,  
Patrick Poyner.

# Members of the Real Estate Council to October 2016

The Real Estate Council of BC extends its thanks to the former members of the Council for their careful stewardship of the organization from July 1, 2016 until the inception of the government-appointed Council in October, 2016. Their commitment of time and effort to the protection of the public and to upholding the legislated duties of real estate licensees is deeply appreciated.

Susan Lynch • Chair  
RE/MAX Centre City Realty, Prince George

Dennis Fimrite • Vice Chair  
Firm Management Corporation, Saanichton

Colette Squires  
Abbotsford

Elana Mignosa  
Vancouver

John J. Nagy  
Delta

Matthew Wallin  
CML Properties, Kamloops

David Peerless  
Dexter Associates Realty, Vancouver

Calvin Lindberg  
Angell, Hasman & Associates Realty Ltd.,  
West Vancouver

Allyson Brooke  
Macdonald Realty, Vancouver

Christopher Brown  
Magnum Projects Ltd., Vancouver

Jennifer Lynch  
Royal LePage Nanaimo Realty, Gabriola Island

Wendy Moreton  
Newport Realty Ltd., Victoria

Harvey Exner  
Macdonald Realty, Maple Ridge

Gerald (Gerry) Martin  
B.C. Farm & Ranch Realty Corp.,  
Abbotsford

Marylou Leslie  
Macdonald Realty, Surrey

Joseph Pearson  
RE/MAX Vernon, Vernon

# Financial Review

as at June 30th, 2017

This financial review is based on the audited consolidated financial statements for the year ended June 30, 2017 and the comparative figures for the year ended June 30, 2016, which are restated to ensure compliance with public sector accounting standards. On September 30, 2016, amendments to the *Real Estate Services Act* and the Real Estate Services Regulation came into effect, empowering the Province of British Columbia to appoint all 16 members of the Council. The legislative changes also resulted in the Province acquiring financial control of the Council on the date. As a result, this review includes the Council's first financial statements prepared in accordance with Canadian Public Sector Accounting Standards.

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## OVERVIEW

General operations are funded predominantly by revenues from licensing and assessment fees collected in accordance with the Council Bylaws under the *Real Estate Services Act*. The fees collected are for a two-year licence period in advance and are recognized as income in the period received. Deferred revenue is recognized on the effective date of the licence. Other sources of revenue include application fees,

course fees, discipline penalties, investment income, and a return of surplus funds from the Trading Services Applied Practice Courses administered by the British Columbia Real Estate Association on behalf of the Council.

In accordance with the Act, receipts for discipline penalties may only be expended by the Council for the purpose of educating the public, licensees and other participants in the real estate industry in BC about the operation and regulation of the industry, as well as issues related to real estate and real estate services. These funds are held in trust and segregated from general operating funds.

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## OPERATIONS—GENERAL AND EDUCATION FUNDS

### Revenues

Total revenues in fiscal 2017 are \$9,481,519, an increase of \$1,873,701 (25%) from fiscal 2016 revenues of \$7,607,818. Recognized licensing and assessment revenues are \$8,375,941 for fiscal 2017, an increase of \$1,388,911 from \$6,987,030 in fiscal 2016. During fiscal 2017 the Council collected additional licence fees of \$1,571,867 on



## FINANCIAL REVIEW

behalf of the Office of Superintendent of Real Estate; an increase of \$615,502 from \$956,365 in fiscal 2016. Effective April 1, 2017 the Office of the Superintendent of Real Estate increased the licence fee by \$100. These amounts have not been included in the statement of operations. Recognized course fees in fiscal 2017 are \$345,975 and have decreased by \$6,250 from \$352,225 in fiscal 2016. Recognized interest, education funds, and other revenue in fiscal 2017 are \$259,603 and have decreased \$8,960 from \$268,563 in fiscal 2016.

### Expenditures

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Expenditures include general administration and facilities, investigations, Council and committee honorariums, per diems, meeting costs, and other corporate expenses, such as communications activities, and grants and endowments. Total expenditures increased in fiscal 2017 by \$360,920 (5%) to \$7,147,908 from \$6,786,988, the previous year. Administrative expenditures were lower by \$75,226 (2%), investigation expenditures higher by \$503,220 (21%), and other expenditures were lower by \$67,074 (11%).

### Excess of Revenue over Expenses and Operating Surplus and Accumulated Operating Surplus

---

The excess revenue over expenses for the year was \$2,333,611 compared to a surplus of \$820,830 in fiscal 2016. The Council's tran-

sition from the previous Canadian accounting standards resulted in the recognition of the investment in a government business enterprise, the Real Estate Errors and Omissions Insurance Corporation, at July 1, 2015. Income from this government business enterprise is \$2,807,167 in fiscal 2017 and has decreased by \$1,071,873 from \$3,879,040 in fiscal 2016. The operating surplus is \$5,140,778 in fiscal 2017 and has increased by \$440,908 from \$4,699,870 in fiscal 2016. The accumulated operating surplus is \$28,698,570.

### Accumulated Surplus

---

The accumulated surplus is \$29,222,237 for fiscal 2017 and is comprised of the accumulated operating surplus of \$28,698,570 and \$523,667 for accumulated re-measurement gains for fiscal 2017.

Sincerely,



LISA HOLST,  
DIRECTOR, ACCOUNTING & AUDIT

“THIS REVIEW INCLUDES  
THE COUNCIL'S FIRST  
FINANCIAL STATEMENTS  
PREPARED IN  
ACCORDANCE WITH  
CANADIAN PUBLIC  
SECTOR ACCOUNTING  
STANDARDS.”

# Management's Report

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared by management of the Real Estate Council of British Columbia (the "Council") in accordance with the Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Council.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full

and free access to financial management of the Council and meet when required. The accompanying Independent auditor's report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Council,



ROBERT HOLMES, Q.C.  
CHAIR



ERIN SEELEY,  
EXECUTIVE OFFICER

# Consolidated Financial Statements

June 30, 2017 and June 30, 2016



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# Independent Auditor's Report



## To the Real Estate Council of British Columbia To the Ministry of Finance:

We have audited the accompanying financial statements of the Real Estate Council of British Columbia, which comprise the consolidated statements of financial position as at June 30, 2017, June 30, 2016 and July 1, 2015, the consolidated statements of operations and accumulated operating surplus, remeasurement gains, changes in net financial assets and cash flows for the years ended June 30, 2017 and June 30, 2016 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 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.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the auditor's 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, the auditor considers 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 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 the Real Estate Council of British Columbia as at June 30, 2017, June 30, 2016 and July 1, 2015 and the results of its operations and its cash flows for the years ended June 30, 2017 and June 30, 2016 in accordance with Canadian public sector accounting standards.

VANCOUVER, CANADA  
SEPTEMBER 12, 2017

*Grant Thornton LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Statements of Financial Position

|   | June 30, 2017        | June 30, 2016        | July 1, 2015         |
|---|----------------------|----------------------|----------------------|
|   |                      |                      | (Note 3)             |
| <b>Financial assets</b>                               |                      |                      |                      |
| Cash and cash equivalents                             | \$ 4,565,647         | \$ 2,232,914         | \$ 1,555,457         |
| Investments (Note 4)                                  | 2,588,914            | 2,265,914            | 1,752,504            |
| Investment in government business enterprise (Note 5) | 22,517,950           | 19,982,429           | 15,966,232           |
| Accounts and accrued interest receivable              | 177,136              | 201,537              | 197,568              |
|   | <b>29,849,647</b>    | <b>24,682,794</b>    | <b>19,471,761</b>    |
| <b>Liabilities</b>                                    |                      |                      |                      |
| Accounts payable and accrued liabilities              | 487,682              | 424,864              | 119,896              |
| Deferred revenue                                      | 333,900              | 107,590              | 61,200               |
| Deferred contributions—Education (Note 6)             | 192,243              | 175,252              | 229,266              |
|   | <b>1,013,825</b>     | <b>707,706</b>       | <b>410,362</b>       |
| <b>Net financial assets</b>                           | <b>28,835,822</b>    | <b>23,975,088</b>    | <b>19,061,399</b>    |
| <b>Non-financial assets</b>                           |                      |                      |                      |
| Prepaid expenses                                      | 149,040              | 132,022              | 148,287              |
| Tangible capital assets (Note 7)                      | 237,375              | 245,995              | 306,392              |
|   | <b>386,415</b>       | <b>378,017</b>       | <b>454,679</b>       |
| <b>Accumulated surplus</b>                            | <b>\$ 29,222,237</b> | <b>\$ 24,353,105</b> | <b>\$ 19,516,078</b> |
| <b>Accumulated surplus is comprised of:</b>           |                      |                      |                      |
| Accumulated operating surplus (Note 8)                | \$ 28,698,570        | \$ 23,557,792        | \$ 18,857,922        |
| Accumulated remeasurement gains                       | 523,667              | 795,313              | 658,156              |
|   | <b>\$ 29,222,237</b> | <b>\$ 24,353,105</b> | <b>\$ 19,516,078</b> |

Commitments and contingency (Note 9)  
See accompanying notes to the financial statements

On behalf of the Council:

 CHAIR

 EXECUTIVE OFFICER

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Statements of Operations and Accumulated Operating Surplus

Years ended June 30

|  | Budget           | 2017             | 2016             |
|--|------------------|------------------|------------------|
| <b>Revenue</b>   |                  |                  |                  |
| Licensing  | \$ 1,017,650     | \$ 1,018,372     | \$ 956,365       |
| Assessments  | 6,764,650        | 7,357,569        | 6,030,665        |
| Return of Surplus Funds from Applied Practice Course—BCREA | —                | 500,000          | —                |
| Course fees  | 271,800          | 345,975          | 352,225          |
| Discipline penalties                                       | —                | 193,259          | 205,514          |
| Investment income and other                                | 233,500          | 66,344           | 63,049           |
|  | <b>8,287,600</b> | <b>9,481,519</b> | <b>7,607,818</b> |
| <b>Expenses (Note 14)</b>                                  |                  |                  |                  |
| Administrative expenses                                    | 4,507,100        | 3,704,418        | 3,779,644        |
| Investigation expenses                                     | 3,067,700        | 2,873,307        | 2,370,087        |
| Other expenses   | 431,800          | 570,183          | 637,257          |
|  | <b>8,006,600</b> | <b>7,147,908</b> | <b>6,786,988</b> |
| Excess of revenue over expenses                            | \$ 281,000       | \$ 2,333,611     | \$ 820,830       |
| Income from government business enterprise (Note 5)        |                  | 2,807,167        | 3,879,040        |
| Operating surplus  |                  | 5,140,778        | 4,699,870        |
| Accumulated operating surplus, beginning of year           |                  | 23,557,792       | 18,857,922       |
| Accumulated operating surplus, end of year                 |                  | \$ 28,698,570    | \$ 23,557,792    |

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Statements of Remeasurement Gains

Years ended June 30

|  | <b>2017</b> | 2016       |
|--|-------------|------------|
| Accumulated remeasurement gains, beginning of year                             | \$ 795,313  | \$ 658,156 |
| Other comprehensive income (loss) from government business enterprise (Note 5) | (271,646)   | 137,157    |
| Accumulated remeasurement gains, end of year                                   | \$ 523,667  | 795,313    |

### Consolidated Statements of Changes in Net Financial Assets

Years ended June 30

|  | <b>Budget</b> | <b>2017</b>   | 2016          |
|--|---------------|---------------|---------------|
| Operating surplus                              | \$ 281,000    | \$ 5,140,778  | \$ 4,699,870  |
| Additions to tangible capital assets           | (60,000)      | (180,985)     | (81,617)      |
| Amortization of tangible capital assets        | 128,800       | 170,245       | 142,014       |
| Gain on disposition of tangible capital assets | (10,000)      | (9,427)       | —             |
| Proceeds of sale of tangible capital assets    | —             | 28,787        | —             |
| Change in prepaid expenses                     | —             | (17,018)      | 16,265        |
| Net remeasurement gains (loss)                 | —             | (271,646)     | 137,157       |
| Increase in net financial assets               | 339,800       | 4,860,734     | 4,913,689     |
| Net financial assets, beginning of year        | —             | 23,975,08     | 19,061,399    |
| Net financial assets, end of year              | \$ 458,600    | \$ 28,835,822 | \$ 23,975,088 |

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Statements of Cash Flows

Years ended June 30

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| Cash derived from (applied to)                 |                     |                     |
| <b>Operating activities</b>                    |                     |                     |
| Operating surplus                              | \$ 5,140,778        | \$ 24,699,870       |
| Adjustments for items not affecting cash       |                     |                     |
| Amortization of tangible capital assets        | 170,245             | 142,014             |
| Gain on disposition of tangible capital assets | (9,427)             | —                   |
| Income from government business enterprise     | (2,807,167)         | (3,879,040)         |
|  | <b>2,494,429</b>    | <b>962,844</b>      |
| Changes in non-cash working capital items      |                     |                     |
| Accounts and accrued interest receivable       | 24,401              | (3,969)             |
| Prepaid expenses                               | (17,018)            | 16,265              |
| Accounts payable and accrued liabilities       | 62,818              | 304,968             |
| Deferred revenue                               | 226,310             | 46,390              |
| Deferred contributions—Education               | 16,991              | (54,014)            |
|  | <b>2,807,931</b>    | <b>1,272,484</b>    |
| <b>Investing activities</b>                    |                     |                     |
| Purchase of investments                        | (323,000)           | (513,410)           |
| Purchase of tangible capital assets            | (180,985)           | (81,617)            |
| Proceeds of sale of tangible capital assets    | 28,787              | —                   |
|  | <b>(475,198)</b>    | <b>(595,027)</b>    |
| Net increase in cash                           | <b>2,332,733</b>    | <b>677,457</b>      |
| Cash and cash equivalents, beginning of year   | <b>2,232,914</b>    | <b>1,555,457</b>    |
| Cash and cash equivalents, end of year         | <b>\$ 4,565,647</b> | <b>\$ 2,232,914</b> |

# Notes to the Consolidated Financial Statements

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## 1. NATURE OF OPERATIONS

The Real Estate Council of British Columbia (the “Council”) is a regulatory agency established by the British Columbia provincial government. Its mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the *Real Estate Services Act* (the “Act”).

The Council is responsible for licensing individuals and brokerages engaged in real estate sales, rental and strata property management. The Council also enforces entry qualifications, investigates complaints against licensees and imposes disciplinary sanctions under the Act.

Pursuant to section 149(1) (1) of the *Income Tax Act* (Canada), the Council qualifies as a non-profit organization and is exempt from income taxes.

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 government of British Columbia to appoint all 16 members of the Council. Those

changes resulted in the Province acquiring control of the Council on that date. As a result, these are the Council’s first financial statements prepared in accordance with Canadian public sector accounting standards (also see Note 3).

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards (“PSAS”) established by the Canadian Public Sector Accounting Board. In addition to the following significant accounting policies, the Council has applied Section PS 2125 First-time Adoption by Government Organizations in preparing these first financial statements in accordance with Canadian public sector accounting standards (Note 3). The Council is required to transition to PSAS due to the changes detailed in Note 1 that resulted in the Province acquiring control of the Council.

### Controlled Entities

The Council controls the Real Estate Compensation Fund Corporation (“RECFC”) since it has the ability to appoint the majority

of its board members. RECFC 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.

The funds administered by the RECFC under the Act meet the definition of a trust under administration and are not included in Council’s financial statements. At June 30, 2017, the balance of trust net assets was \$15,156,771 (June 30, 2016—\$13,636,135, July 1, 2015—\$12,338,497). The Corporation’s transactions with Council are disclosed in Note 12.

Investment in government business enterprise Real Estate Errors and Omissions Corporation (“REEOIC”) is a government business enterprise (“GBE”) controlled by Council. REEOIC is a special act corporation incorporated as a corporation without share capital under the *Real Estate Services Act*. The Corporation is taxable under the *Income Tax Act* (Canada). The Corporation pools the insurance premiums paid by real estate licensees in a fund that is used to pay the costs of defending and indemnifying licensees against professional liability claims.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The investment in government business enterprise is accounted for by the modified equity method. Under this method, the Council accounts for its investment using the equity method of accounting such that it is not modified to adjust the government business enterprise’s accounting policies to conform with those of the Council.

If the government business enterprise has other comprehensive income, it is accounted for within the consolidated statement of remeasurement gains. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities on assets that remain within the entities controlled by the Council.

**Revenue Recognition**

The Council collects licence and assessment fees for a two year period in advance. These fees are recognized as revenue in the period received because the Council has no continuing obligations with respect to the fees and does not refund licence and assessment fees. Licence and assessment fees received in the current period that relate to the subsequent period are recorded as deferred revenue.

Course fees are recorded as revenue when the service is provided and if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions and discipline penalties are recorded as revenue in the year in which

the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment and other income is recorded as revenue as it is earned.

**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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents includes all balances held at banks excluding any overdraft amounts, and all highly liquid financial instruments purchased with an original maturity of three months or less. Cash equivalents consist of money invested in a term deposit and are recorded at cost plus accrued interest, which approximates market value.

**Tangible Capital Assets**

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their expected useful lives as follows:

|                        |   |
|------------------------|---|
| Computer equipment     | 3 years   |
| Office equipment       | 5 years   |
| Automotive equipment   | 6 years   |
| Leasehold improvements | term of the lease plus one renewal period, being 10 years |

**Financial Instruments**

The Council’s financial instruments consist of cash and cash equivalents, investments, accounts and accrued interest receivable, and accounts payable and accrued liabilities. Financial assets and financial liabilities are initially measured at fair value and subsequently at amortized cost.

Unrealized gains and losses from changes in the fair value of financial instruments held by the government business enterprises are recognized in the statement of remeasurement gains until such time as the financial instrument is derecognized due to disposal. At the time of derecognition, the related realized gains and losses are recognized in the consolidated statement of operations and accumulated operating surplus and are reversed from the consolidated statement of remeasurement gains.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. TRANSITION OF ACCOUNTING STANDARDS

These are the Council's first financial statements prepared in accordance with Canadian public sector accounting standards ("PSAS"). The financial statements for the year ended June 30, 2017 were prepared in accordance with PSAS. Comparative period information presented for the year ended June 30, 2016 was prepared in accordance with PSAS and the provisions set out in Section PS 2125 First-time adoption. The date of transition to PSAS is July 1, 2015; therefore, comparative information previously reported under the Canadian accounting

standards for not-for-profit organizations has been restated. The opening statement of financial position at the date of transition and the comparative statements of operations and accumulated operating surplus for the year ended June 30, 2016, together with any adjustments made for the effect of transition from previous accounting standards, are explained in this note.

These financial statements have been prepared using accounting policies that are in effect at the end of the reporting period ended June 30, 2017. The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 2 and have been applied throughout all periods

presented in these financial statements.

In accordance with Section PS 2125, the Council has applied all of the mandatory exceptions to retroactive application, and has elected not to apply any of the optional exemptions.

The Council's transition from the previous Canadian accounting standards for not-for-profit organizations to Canadian public sector accounting standards resulted in the recognition of the investment in government business enterprise at July 1, 2015 and the deferral of restricted discipline penalties previously recorded in the education fund within net assets. The impact of these transition adjustments is presented below.

|                                 | Previously Stated<br>July 1, 2015 | Previously Stated<br>July 1, 2015 | Adjustment for<br>Education Fund<br>July 1, 2015 | Restated<br>July 1, 2015 |
|---------------------------------|-----------------------------------|-----------------------------------|--|--------------------------|
| Accumulated operating surplus   | \$ 3,779,112                      | \$ 15,308,076                     | (229,266)  | \$ 18,857,922            |
| Accumulated remeasurement gains | —                                 | 658,156                           | —  | 658,156                  |
|                                 | \$ 3,779,112                      | \$ 15,966,232                     | \$ (229,266)                                     | \$ 19,516,078            |

|                                 | Previously Stated<br>June 30, 2016 | Previously Stated<br>June 30, 2016 | Adjustment for<br>Education Fund<br>June 30, 2016 | Restated<br>June 30, 2016 |
|---------------------------------|------------------------------------|------------------------------------|---|---------------------------|
| Operating surplus               | \$ 766,816                         | \$ 3,879,040                       | \$ 54,014   | \$ 4,699,870              |
| Accumulated operating surplus   | \$ 4,545,928                       | \$ 19,187,116                      | \$ (175,252)                                      | \$ 23,557,792             |
| Accumulated remeasurement gains | —                                  | 795,313                            | —   | 795,313                   |
|                                 | \$ 4,545,928                       | \$ 19,982,429                      | \$ (175,252)                                      | \$ 24,353,105             |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. INVESTMENTS

|   | June 30, 2017 | June 30, 2016 | July 1, 2015 |
|---|---------------|---------------|--------------|
| GICs at 1.25% to 2.35% (2016 — 1.65% to 3.1%) (2015 — 2.00% to 3.85%)<br>maturing between December 14, 2017 and June 14, 2021 | \$ 2,588,914  | \$ 2,265,914  | \$ 1,752,504 |

### 5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

Condensed financial information for the government business enterprise that is part of the Council's reporting entity are as follows:

|  | June 30, 2017 | June 30, 2016 | July 1, 2015 |
|--|---------------|---------------|--------------|
| Statement of financial position                    |               |               |              |
| Total assets                                       | \$ 53,111,880 | \$ 47,808,421 | \$ 3,990,192 |
| Total liabilities                                  | 30,593,930    | 27,825,992    | 28,023,960   |
| Equity   | 22,517,950    | 19,982,429    | 15,966,232   |
| Statement of operations                            |               |               |              |
|  | 2017          | 2016          |              |
| Revenue  | \$ 10,325,695 | \$ 9,393,801  |              |
| Expenses   | 7,889,344     | (5,836,653)   |              |
| Other income                                       | 1,345,916     | 1,642,746     |              |
| Earnings before income taxes                       | 3,782,267     | 5,199,894     |              |
| Income tax expense                                 | (975,100)     | (1,320,854)   |              |
| Net earnings                                       | 2,807,167     | 3,879,040     |              |
| Other comprehensive income (loss)                  | (271,646)     | 137,157       |              |
| Net earnings and other comprehensive income (loss) | \$ 2,535,521  | \$ 4,016,197  |              |

In fiscal year 2017, the Council charged a fee of \$52,215 to REEOIC with respect to fees collected on REEOIC's behalf.

Total liabilities include \$3,605 (June 30, 2016: \$Nil; July 1, 2015: \$1,400) payable to the Council.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. DEFERRED CONTRIBUTION— EDUCATION

In compliance with Section 43(2)(i) of the *Real Estate Services Act*, when the discipline committee determines that a licensee has committed professional misconduct or conduct

unbecoming a licensee the discipline committee may require the licensee to pay a discipline penalty in an amount of (i) not more than \$500,000, in the case of a brokerage or former brokerage, or (ii) not more than \$250,000, in any other case. Under Section 44 of the *Real Estate Services Act*, money received by the Council on account of a discipline penalty under Section 43 (2) (i) may be expended by

the Council only for the purpose of educating the public and licensees and other participants in the real estate industry in British Columbia about the operation and regulation of the industry and issues related to real estate and real estate services.

The restricted contributions related to discipline penalties are as follows:

|                               | 2017       | 2016       |
|-------------------------------|------------|------------|
| Balance, beginning of year    | \$ 175,252 | \$ 229,266 |
| Discipline penalties received | 210,250    | 151,500    |
| Expenditures                  | (193,259)  | (205,514)  |
| Balance, end of year          | \$ 192,243 | \$ 175,252 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. TANGIBLE CAPITAL ASSETS

|   | Computer<br>Equipment | Office<br>Equipment | Automotive<br>Equipment | Leasehold<br>Improvements | 2017 Total        |
|---|-----------------------|---------------------|-------------------------|---------------------------|-------------------|
| Cost                                      |                       |                     |                         |                           |                   |
| Balance, June 30, 2016                    | \$ 1,118,695          | \$ 524,396          | \$ 47,890               | \$ 405,235                | \$ 2,096,216      |
| Additions                                 | 89,331                | 55,815              | —                       | 35,839                    | 180,985           |
| Disposals                                 | —                     | —                   | (47,890)                | —                         | (47,890)          |
| <b>Balance, June 30, 2017</b>             | <b>1,208,026</b>      | <b>580,211</b>      | <b>—</b>                | <b>441,074</b>            | <b>2,229,311</b>  |
| Depreciation                              |                       |                     |                         |                           |                   |
| Balance, June 30, 2016                    | 992,474               | 460,941             | 26,535                  | 370,271                   | 1,850,221         |
| Depreciation                              | 84,406                | 40,294              | 1,995                   | 43,550                    | 170,245           |
| Disposals                                 | —                     | —                   | (28,530)                | —                         | (28,530)          |
| <b>Balance, June 30, 2017</b>             | <b>1,076,880</b>      | <b>501,235</b>      | <b>—</b>                | <b>413,821</b>            | <b>1,991,936</b>  |
| <b>Carrying amount,<br/>June 30, 2017</b> | <b>\$ 131,146</b>     | <b>\$ 78,976</b>    | <b>—</b>                | <b>\$ 27,253</b>          | <b>\$ 237,375</b> |

|   | Computer<br>Equipment | Office<br>Equipment | Automotive<br>Equipment | Leasehold<br>Improvements | 2016 Total        |
|---|-----------------------|---------------------|-------------------------|---------------------------|-------------------|
| Cost                                      |                       |                     |                         |                           |                   |
| Balance, June 30, 2015                    | \$ 1,069,055          | \$ 521,827          | \$ 47,890               | \$ 401,294                | \$ 2,040,066      |
| Additions                                 | 75,107                | 2,569               | —                       | 3,941                     | 81,617            |
| Disposals                                 | (25,467)              | —                   | —                       | —                         | (25,467)          |
| Balance, June 30, 2016                    | 1,118,695             | 524,396             | 47,890                  | 405,235                   | 2,096,216         |
| Depreciation                              |                       |                     |                         |                           |                   |
| Balance, June 30, 2015                    | 932,776               | 423,728             | 18,554                  | 358,616                   | 1,733,674         |
| Depreciation                              | 85,165                | 37,213              | 7,981                   | 11,655                    | 142,014           |
| Disposals                                 | (25,467)              | —                   | —                       | —                         | (25,467)          |
| Balance, June 30, 2016                    | 992,474               | 460,941             | 26,535                  | 370,271                   | 1,850,221         |
| <b>Carrying amount,<br/>June 30, 2016</b> | <b>\$ 126,221</b>     | <b>\$ 63,455</b>    | <b>\$ 21,355</b>        | <b>\$ 34,964</b>          | <b>\$ 245,995</b> |

## 8. ACCUMULATED OPERATING SURPLUS

The Council has set aside the following amounts in the accumulated operating surplus to be used for the purposes noted below:

|  | 2017                | 2016              |
|--|---------------------|-------------------|
| Technology Fund (a)                                | \$ 450,000          | \$ 100,000        |
| Legal Defence Fund – General (b)                   | 450,000             | 150,000           |
| Legal Defence Fund – Special Compensation Fund (b) | 150,000             | 150,000           |
| Enforcement Fund – Accounting and Legal (c)        | 500,000             | —                 |
| Education Fund (Note 6)                            | 500,000             | —                 |
| <b>Total funds</b>                                 | <b>\$ 2,050,000</b> | <b>\$ 400,000</b> |

### (a) Technology Fund

The Technology Fund is to be used for modifications to new licensing systems software.

### (b) Legal Defence Funds

The Legal Defence Fund is to be used to pay, on behalf of the Council, its members or employees (collectively, the “Party”), all sums which the Party becomes liable to pay as compensating damages arising out of a claim made against the Party by a member of the public, a member of the Council, or an employee of the Council alleging a Wrongful Act, or made against the Party because of the Party’s status as a Council member or an employee thereof, provided that, in either situation, the claim relates solely to the performance by the Party of services as a member or employee of the Council in their capacity with the Council. The maximum amount to be paid by the Legal Defence Fund—General is \$100,000 for each claim regardless of the number of parties.

There is also a separate Legal Defence Fund—Special Compensation Fund for \$150,000 for the potential defence of claims related to the Real Estate Compensation Fund Corporation.

### (c) Enforcement Fund

The Enforcement fund is to be used to pay any unusual enforcement expenses such as receivers, special investigators, forensic accounting or other unforeseen costs that result from Orders in urgent circumstances, trust account defalcations, or other significant enforcement actions.

Base rent due within each of the next three years is estimated as follows:

|      |                   |
|------|-------------------|
| 2018 | \$ 274,811        |
| 2019 | 286,382           |
| 2020 | 72,319            |
|      | <b>\$ 633,512</b> |

In addition to base rent, the Council is responsible for paying their portion of operating costs.

(b) The Council may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the financial statements where required and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Council.

## 9. COMMITMENTS AND CONTINGENCY

(a) In fiscal year 2013, the Council renegotiated the lease for their office premises for a five year period ending on September 30, 2019.

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### 10. FINANCIAL INSTRUMENTS

#### Interest Rate Risk

The Council manages any interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms of maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. The Council did not hold any investments in equity securities at June 30, 2017 or 2016.

#### Currency Risk

The Council does not hold any investments denominated in foreign currencies; therefore, it is not exposed to any currency risk.

#### Credit and Market Risk

The Council has an investment policy that restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. Risk and volatility of investment returns are mitigated through investing in only government bonds and Guaranteed Investment Certificates (GICs).

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### 11. REAL ESTATE FOUNDATION OF BC

The mission of the Real Estate Foundation of BC (the "Foundation") is to transform land use attitudes and practices through innovation, stewardship and learning. Council is related to the Foundation by common control by the Province of BC and the ability to appoint 1 of the 7 members of the Board of the Foundation. There are no transactions between the Council and the Foundation.

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### 12. RELATED PARTY TRANSACTIONS AND BALANCES

In fiscal year 2017, the Council charged a fee of \$10,095 to the RECFC for revenue collected on their behalf with respect to the compensation fund. The Council controls the RECFC since it has the ability to appoint the majority of its board members.

As of June 30, 2017, the RECFC has a payable to the Council of \$1,770.

During the year, the Council collected licence fees of \$1,571,867 (2016- \$956,365) on behalf of the Office of Superintendent of Real Estate, a regulatory agency of the BC government. These amounts have not been included in the statement of operations.

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### 13. PENSION PLAN

The Council contributes to a defined contribution pension plan administered by Sun Life Financial for all staff that have been employed for more than 1 year. The Council contributes 7% of regular staff salaries to the plan on a monthly basis. The Council expense for the 2017 fiscal year was \$221,218 (2016 -\$219,045). There have been no significant changes to the plan since 2002.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. EXPENSES BY OBJECT

Years ended June 30

|                                      | Administrative | Investigation | Other      | 2017 Total   |
|--------------------------------------|----------------|---------------|------------|--------------|
| Amortization                         | \$ 170,245     | \$ —          | \$ —       | \$ 170,245   |
| Conference                           | —              | —             | 31,757     | 31,757       |
| Council members honoraria            | 112,701        | —             | —          | 112,701      |
| Court reporter services              | —              | 6,978         | —          | 6,978        |
| Dues, subscriptions and publications | —              | —             | 81,663     | 81,663       |
| Electronic communication             | —              | —             | 239,129    | 239,129      |
| Equipment maintenance                | 40,918         | —             | —          | 40,918       |
| Forensic investigation               | —              | —             | —          | —            |
| Insurance                            | 9,873          | —             | —          | 9,873        |
| Office rent and operating costs, net | 605,886        | —             | —          | 605,886      |
| Post-licensing education/grants      | —              | —             | 197,761    | 197,761      |
| Postage, mailing and delivery        | 52,068         | —             | —          | 52,068       |
| Printing and stationery              | 84,107         | —             | 7,143      | 91,250       |
| Professional services                | 73,283         | 488,523       | —          | 561,806      |
| Public relations                     | —              | —             | 12,730     | 12,730       |
| Salaries                             | 2,235,880      | 2,474,600     | —          | 4,710,480    |
| Spot audits                          | —              | (5,130)       | (5,130)    | (5,130)      |
| Telephone                            | 30,613         | —             | —          | 30,613       |
| Travel and accommodation             | 111,413        | —             | —          | 111,413      |
| Travel and hearing (recovery)        | —              | (91,664)      | —          | (91,664)     |
| Visa and bank charges                | 177,431        | —             | —          | 177,431      |
|                                      | \$ 3,704,418   | \$ 2,873,307  | \$ 570,183 | \$ 7,147,908 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. EXPENSES BY OBJECT, CONTINUED

Years ended June 30

|                                      | Administrative | Investigation | Other      | 2016 Total   |
|--------------------------------------|----------------|---------------|------------|--------------|
| Amortization                         | \$ 142,014     | \$ —          | \$ —       | \$ 142,014   |
| Conference                           | —              | —             | 63,311     | 63,311       |
| Council members honoraria            | 135,524        | —             | —          | 135,524      |
| Court reporter services              | —              | 2,238         | —          | 2,238        |
| Dues, subscriptions and publications | —              | —             | 54,365     | 54,365       |
| Electronic communication             | —              | —             | 235,784    | 235,784      |
| Equipment maintenance                | 43,520         | —             | —          | 43,520       |
| Forensic investigation               | —              | 13,824        | —          | 13,824       |
| Insurance                            | 11,247         | —             | —          | 11,247       |
| Office rent and operating costs, net | 570,216        | —             | —          | 570,216      |
| Post—licensing education/grants      | —              | —             | 219,693    | 219,693      |
| Postage, mailing and delivery        | 76,739         | —             | —          | 76,739       |
| Printing and stationery              | 64,505         | —             | 42,854     | 107,359      |
| Professional services                | 164,979        | 432,722       | —          | 597,701      |
| Public relations                     | —              | —             | 21,250     | 21,250       |
| Salaries                             | 2,244,826      | 1,994,824     | —          | 4,239,650    |
| Spot audits                          | —              | 34,443        | —          | 34,443       |
| Telephone                            | 14,290         | —             | —          | 14,290       |
| Travel and accommodation             | 161,439        | —             | —          | 161,439      |
| Travel and hearing (recovery)        | —              | (107,964)     | —          | (107,964)    |
| Visa and bank charges                | 150,344        | —             | —          | 150,344      |
|                                      | \$ 3,779,644   | \$ 2,370,087  | \$ 637,257 | \$ 6,786,988 |



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