The Real Estate Foundation of BC
Financial Statements
March 31, 2017

Contents

For the period ended March 31, 2017 and year ended December 31, 2016

Management's Responsibility

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards and ensuring that all information in the annual report is consistent with the statement. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Governors who are neither management nor employees of the Foundation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 19, 2017

Chief Executive Officer

Independent Auditors' Report

To the Board of Governors of The Real Estate Foundation of BC:

We have audited the accompanying financial statements of The Real Estate Foundation of BC, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and grant stabilization reserve, remeasurement gains and losses, change in net financial assets, and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Foundation of BC as at March 31, 2017 and the results of its operations, remeasurement gains and losses, change in net financial assets and its cash flows for the period then ended in accordance with Public Sector Accounting Standards.

Vancouver, British Columbia

May 19, 2017

MNP LLP

Chartered Professional Accountants

The Real Estate Foundation of BC
Statement of Financial Position
As at March 31, 2017 and December 31, 2016

	March 31, 2017	*December 31, 2016*
Financial Assets		
Cash and cash equivalents	**711,509**	795,344
Accounts and accrued investment income receivable	**11,349**	14,576
Interest receivable from trust accounts	**259,992**	274,203
Investments *(Note 4)*	**17,328,987**	17,057,079
	18,311,837	18,141,202
Financial Liabilities		
Accounts payable and accruals	**120,105**	75,711
Grants payable *(Note 5)*	**4,240,068**	4,854,144
	4,360,173	4,929,855
Net Financial Assets	**13,951,664**	13,211,347
Commitments *(Note 6)*		
Non-Financial Assets		
Prepaid expenses	**49,003**	74,843
Tangible capital assets *(Note 3, Schedule 1)*	**133,341**	145,358
	182,344	220,201
Accumulated Surplus	**14,134,008**	13,431,548
Accumulated surplus is comprised of:		
Grant stabilization reserve *(Note 7)*	**12,150,768**	11,581,261
Accumulated remeasurement gains and losses	**1,983,240**	1,850,287
	14,134,008	13,431,548

Approved on behalf of the Board

Chair

Vice Chair

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC

Statement of Operations and Grant Stabilization Reserve

For the period ended March 31, 2017 and year ended December 31, 2016

	Budget 2017 (Note 9)	***2017 (3 months)***	*2016 (12 months)*
Revenues			
Real estate brokerage trust account income	820,656	**813,684**	3,816,420
Investment income	50,375	**96,696**	471,132
Realized gains on sale of investments	207,500	**146,903**	956,220
	1,078,531	**1,057,283**	5,243,772
Expenses *(Note 11)*			
Administrative services	530,656	**468,086**	1,798,415
Grants (recovery)	925,000	**(35,000)**	3,521,016
Trust account services charges	60,000	**54,690**	232,481
Total Expenses	1,515,656	**487,776**	5,551,912
Surplus (deficit) for the period	(437,125)	**569,507**	(308,140)
Grant stabilization reserve, beginning of period	11,581,261	**11,581,261**	11,889,401
Grant stabilization reserve, end of period	11,144,136	**12,150,768**	11,581,261

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC

Statement of Remeasurement Gains and Losses

For the period ended March 31, 2017 and year ended December 31, 2016

	2017 ***(3 months)***	*2016* *(12 months)*
Accumulated remeasurement gains, beginning of period	**1,850,287**	2,461,513
Unrealized gain (loss) attributable to:		
Investments	**279,856**	344,994
Amounts reclassified to the statement of operations:		
Disposition of investments	**(146,903)**	(956,220)
Net effect of remeasurement gains	**132,953**	(611,226)
Accumulated remeasurement gains, end of period	**1,983,240**	1,850,287

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC

Statement of Change in Net Financial Assets

For the period ended March 31, 2017 and year ended December 31, 2016

	2017 ***(3 months)***	*2016* *(12 months)*
Surplus (deficit) for the period	**569,507**	(308,140)
Acquisition of tangible capital assets	**(8,966)**	(34,225)
Amortization of tangible capital assets	**20,983**	75,335
Decrease in prepaid expenses	**25,840**	(30,308)
Net effect of remeasurement gains	**132,953**	(611,226)
Change in net financial assets	**740,317**	(908,564)
Net financial assets, beginning of period	**13,211,347**	14,119,911
Net financial assets, end of period	**13,951,664**	13,211,347

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC

Statement of Cash Flows

For the period ended March 31, 2017 and year ended December 31, 2016

	2017	2016
	(3 months)	(12 months)
Cash provided by (used for) the following activities		
Operating		
Real estate brokerage trust account income	**773,205**	3,525,982
Investment income	**99,922**	469,116
Payment of expenses	**(376,868)**	(1,798,496)
Payment of grants	**(579,076)**	(3,890,824)
	(82,817)	(1,694,222)
Capital		
Purchase of equipment and leaseholds	**(8,966)**	(34,225)
Investing		
Sale of investments, net	**7,948**	1,826,024
	(1,018)	1,791,799
Increase (decrease) in cash resources	**(83,835)**	97,577
Cash resources, beginning of period	**795,344**	697,767
Cash resources, end of period	**711,509**	795,344

The accompanying notes are an integral part of these financial statements

1. Mission of the 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.

The Foundation is incorporated under The Real Estate Services Act (BC) and is a government not-for-profit organization.

2. Change in year-end

The Foundation changed its financial year-end from December 31 to March 31, effective for the period ended March 31, 2017. As a result of the change in year-end, the comparative amounts are not directly comparable with the current period's balances.

3. Significant accounting policies

Basis of Accounting

The financial statements have been prepared in accordance with Canadian Public Sector Accounting ("PSA") standards as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

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

Tangible capital assets

Tangible capital assets are recorded at cost.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment and grant software	3 years
Furniture and equipment	4 years
Leasehold improvements	Over the term of the lease
Website	4 years

Investments

Investments are portfolio investments recorded at fair value for those with prices quoted in an active market.

Revenue recognition

The Foundation earns income on interest earned on unassigned real estate brokerage trust accounts in British Columbia and records the interest on an accrual basis.

Interest on bonds and mortgages are recorded on an accrual basis. Dividends that have been declared are recorded as income on the date of record set for the dividend.

Grants

A grant is expensed when a commitment has been authorized by the Foundation's Governors. Multi-year grant agreements are expensed upon acceptance of the initial agreement. Cancelled grants are reversed in the period they are cancelled should any stipulations not be met by the grantee.

Grants under $20,000 awarded by the CEO are expensed at the time of award and reported to the Board of Governors at the next regular quarterly meeting.

3. Significant accounting policies *(continued from previous page)*

Financial instruments

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

The Foundation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

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

Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Grant Stabilization Reserve and related balances reversed from the Statement of Remeasurement Gains and Losses.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Amortization is based on the estimated useful lives of tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. Tangible capital assets

	Cost	***Accumulated amortization***	***2017 Net book value***	*2016 Net book value*
Computer equipment	**79,229**	**60,179**	**19,050**	12,697
Office equipment	**136,318**	**132,177**	**4,141**	12,147
Leasehold improvements	**171,309**	**91,317**	**79,992**	86,145
Grant software	**29,853**	**8,630**	**21,223**	23,152
Website	**47,020**	**38,085**	**8,935**	11,217
	463,729	**330,388**	**133,341**	145,358

See Schedule 1 for more details.

4. Investments

	2017	*2016*
Fixed income securities	**9,027,138**	8,949,224
Common stock and equities	**8,301,849**	8,107,855
	17,328,987	17,057,079

5. Grants payable

	2017	*2016*
Balance, beginning of period	4,854,144	5,223,952
Grants authorized	40,000	3,685,891
Grants cancelled	(75,000)	(164,875)
Grants paid	(579,096)	(3,890,824)
	4,240,068	4,854,144

6. Commitments

The Foundation has a lease agreement for its office premises, expiring June 30, 2020, with estimated minimum annual payments as follows:

2018	61,664
2019	67,743
2020	57,321
2021	15,633
	202,361

The Foundation is also committed to its share of related operating cost and GST on both lease payments and operating costs.

7. Grant Stabilization Reserve

In December 2015, the Board of Governors approved a spending policy to determine the annual grants budget. The Grant Stabilization Reserve balance is used to calculate the following year's grants budget as per the spending policy and is now part of the Accumulated Surplus account.

8. Special Projects

The Foundation invests in programs and activities to fulfill its legislated purposes, mission and strategic plan. In addition to granting, the Foundation undertakes its own projects, either in partnership with other organizations or independently. At March 31, 2017, special projects approved and not yet spent amount to $nil (2016 - $14,957). This amount will be recognized as a special projects expense when the expense has been incurred.

9. Budget Figures

Budget figures for the three-months included in the financial statements were prepared by management. The three-month budget does not include capital expenditures but includes amortization expense.

10. Financial instruments

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

10. Financial instruments *(continued from previous page)*

Credit concentration

Credit risk is the risk of loss arising from the failure of a counterpart to fully honour its financial obligation with the Foundation, including its inability or unwillingness to pay borrowed principal and interest when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtor's obligation. The Foundation has put in place investment policies and procedures, which are reviewed annually, with established investment criteria designed to manage credit risk by setting limits to credit exposure through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. The credit quality of financial assets is generally assessed by reference to external credit rating. The Foundation's most significant credit risk exposure arises from its investments in interest bearing securities.

As at March 31, 2017, the Foundation had fixed income securities with a market value of $ 9,027,138 (2016 - $8,949,224) with credit risk exposure.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through investing in substantially distributed investments, on a long-term basis, among several classes of assets to reduce exposure to investment volatility.

As at March 31, 2017, the Foundation had fixed income securities with a market value of $9,027,138 (2016 - $8,949,224) with interest rate risk exposure.

Liquidity risk

Liquidity risk refers to the risk that the Foundation will not be able to meet cash requirements in a timely and cost effective manner and may depend on the speed and ease with which a financial asset can be sold and converted into cash.

Most securities held can be sold easily and at a fair price. In highly volatile markets, such as in periods of sudden interest rate changes, certain securities may become less liquid, which means they cannot be sold as quickly or easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, certain features, like guarantees or a lack of buyers interested in the particular security or market. Difficulty in selling securities may result in higher volatility, a loss or reduced return.

The Foundation manages liquidity risk by maintaining an adequate amount of liquid assets with varying maturities in order to ensure that the Foundation can meet all of its financial obligations as they fall due.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has investments in US equities denominated in Canadian dollars of $3,185,002 (2016 - $3,158,520) and investments in international equities denominated in Canadian dollars of $1,040,156 (2016 - $911,975) at March 31, 2017.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

As at March 31, 2017, the Foundation had fixed income securities with a market value of $9,027,138 (2016 - $8,949,224) and equity investments with a market value of $8,301,849 (2016 - $8,107,855), both with market risk exposure.

10. Financial instruments ***(continued from previous page)***

Sensitivity analysis

If interest rates at that date had been 1% higher (1% lower), with all other variables held constant, as a result of an increase (decrease) in the fair value of these fixed rate investments, the net assets of the plan for the years ended March 31, 2017 and December 31, 2016 would have increased (decreased) by $307,887 ($307,887) (2016 - $310,867 ($310,867)).

11. Expenses by Object

	Budget	*2017*	*2016*
Administrative services:			
Amortization	**20,000**	**20,983**	75,334
Governors' honorariums	**9,250**	**9,250**	37,000
Meetings, conferences and travel	**72,250**	**46,845**	177,259
Office	**40,273**	**33,293**	137,144
Professional fees	**65,890**	**63,364**	46,330
Publications and promotion	**65,725**	**56,422**	335,345
Rent	**26,476**	**26,476**	105,396
Salaries and benefits	**201,292**	**203,550**	772,623
Special projects	**26,250**	**4,387**	99,278
Telephone	**3,250**	**3,516**	12,706
	530,656	**468,086**	1,798,415
Grants:			
Approved	**925,000**	**40,000**	3,685,891
Cancelled	**-**	**(75,000)**	(164,875)
	925,000	**(35,000)**	3,521,016
Trust account service charges	**60,000**	**54,690**	232,481
	1,515,656	**487,776**	5,551,912

Schedule 1

	Website	Leasehold Improvements	Computer equipment	Computer software	Office equipment	Totals 2017	Totals 2016
Cost							
Balance, beginning of year	47,020	171,309	80,177	29,853	136,318	**464,677**	436,986
Add:							
Additions during the year	-	-	8,966	-	-	**8,966**	34,225
Less:							
Disposals during the year	-	-	9,914	-	-	**9,914**	6,534
Balance, end of year	**47,020**	**171,309**	**79,229**	**29,853**	**136,318**	**463,729**	464,677
Accumulated amortization							
Balance, beginning of year	35,803	85,164	67,480	6,701	124,171	**319,319**	250,518
Add:							
Amortization	2,282	6,153	2,613	1,929	8,006	**20,983**	75,335
Less:							
Accumulated amortization on disposals	-	-	9,914	-	-	**9,914**	6,534
Balance, end of year	**38,085**	**91,317**	**60,179**	**8,630**	**132,177**	**330,388**	319,319
Net book value of tangible capital assets	**8,935**	**79,992**	**19,050**	**21,223**	**4,141**	**133,341**	145,358