

# Real Estate Council of British Columbia

## 2019/20 Annual Service Plan Report



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## Board Chair's Accountability Statement



The *Real Estate Council of British Columbia 2019/20 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019/20 – 2021/22 Service Plan* created in February 2019. I am accountable for those results as reported.

A handwritten signature in grey ink that reads "Elain Duvall". The signature is written in a cursive, flowing style.

Elain Duvall  
Board Chair  
July 6, 2020

## **Table of Contents**

Board Chair’s Accountability Statement .....	3
Letter from the Board Chair & CEO.....	5
Purpose of the Annual Service Plan Report.....	7
Purpose of the Organization.....	7
Strategic Direction .....	8
Operating Environment.....	8
Report on Performance: Goals, Objectives, Measures and Targets.....	9
Financial Report.....	18
Highlights.....	19
Financial Summary .....	20
Variance and Trend Analysis.....	21
Auditor’s Report .....	23
Audited Financial Statements .....	24
Appendix A: Additional Information.....	41

## Letter from the Board Chair & CEO

On behalf of the members of the Real Estate Council of BC and all RECBC employees, we are pleased to submit RECBC's Annual Service Plan Report for the year ending March 31, 2020. The results described in this report were established in the 2019/20 – 2021/22 Service Plan and align with our 2019/2020 [Mandate Letter](#).

RECBC had a successful year, delivering substantively on key strategies described in our Service Plan to protect the public, and to support the provincial government's commitment to British Columbians to make life more affordable, deliver the services that people count on, and build a strong, sustainable economy.

Following the announcement on November 12, 2019 of the government's intention to create a single regulator for the financial services sector including real estate, we have worked collaboratively with the Office of the Superintendent of Real Estate (OSRE) and the BC Financial Services Authority (BCFSA) to plan for the integration of the three organizations by spring 2021.

We have honoured government's commitment to deliver the services that people count on, by implementing process improvements and investing in new technology to increase our efficiency, leading to a significant reduction of RECBC's existing inventory of complaints and to enhancements in our ability to process new licensing applications on a timely basis.

In keeping with the government's commitment to make life more affordable, we have addressed market conduct by becoming the first real estate regulator in Canada to partner with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). Under this partnership we cooperate and share information to facilitate anti-money laundering enforcement activities in British Columbia's real estate sector. We have also introduced the first mandatory regulatory course on anti-money laundering by a real estate regulator, successfully delivering the course to more than 10,000 real estate professionals since its launch in January 2020.

RECBC's senior leadership engages regularly on both strategic and operational levels with the Ministry of Finance, OSRE and BCFSA. Quarterly meetings between the Council Chair and the Minister of Finance ensure alignment with government policy expectations and the opportunity to discuss actions identified in the government Mandate Letter. RECBC has also worked with OSRE and BCFSA to ensure that development and implementation of strategies that will impact the single regulator consider the expanded role of the future integrated single regulator.

We are proud of our accomplishments this year. We will continue to work to fulfill our mission on behalf of B.C consumers and achieve our vision: *Public trust in ethical and competent real estate professionals*. As we will be integrating with OSRE and BCFSA in the year ahead, we look forward to reviewing our performance measures and strategies and reflecting on our evolving priorities within the context of a single financial services regulator.

Elain Duvall



Board Chair, Real Estate Council of BC  
July 6, 2020

Erin Seeley



CEO, Real Estate Council of BC  
July 6, 2020

## **Purpose of the Annual Service Plan Report**

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## **Purpose of the Organization**

The Real Estate Council of BC (RECBC) is a regulatory agency established by the provincial government in 1958. RECBC's enabling legislation is the [Real Estate Services Act](#), SBC 2004, c. 42. RECBC transitioned from a self-regulatory organization to a crown agency in 2017/18, moving its fiscal year end to March 31 to align the organization's financial reporting with the government's requirements for service plan reporting.

Our mandate is to protect the public interest by enforcing the licensing and conduct requirements of the *Real Estate Services Act* (RESA). Currently, RECBC has a Council of 14 publicly appointed members responsible for corporate governance and a staff of approximately 100. Additional information on our mandate, mission, vision and values can be found on the [RECBC website](#).

RECBC benefits the public by protecting real estate consumers. We are responsible for:

- licensing individuals and brokerages engaged in real estate sales, rental and strata property management;
- enforcing entry qualifications;
- investigating complaints against licensed real estate professionals; and
- imposing disciplinary sanctions under RESA.

RECBC does not receive taxpayer funding: our operations are fully funded through licensing assessment and education fees paid by licensed real estate professionals.

Our mission is to protect the public interest by promoting and enforcing professional standards to raise the competency and conduct of licensed real estate professionals in BC. Our vision is of public trust in ethical and competent real estate professionals. Together with the Superintendent of Real Estate, RECBC works to ensure that real estate services regulation in BC is effective, transparent, and fair.

The consolidated financial statements of RECBC include the Real Estate Errors and Omissions Corporation, a government business enterprise controlled by RECBC.

## Strategic Direction

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister Responsible in 2019 shaped the 2019/20 Real Estate Council of BC [Service Plan](#) and results reported in this annual report.

The Real Estate Council of BC is aligned with the Government’s key priorities:

Government Priorities	The Real Estate Council of BC aligns with these priorities by:
Making life more affordable	<ul style="list-style-type: none"> <li>Working with OSRE and the Ministry of Finance to address market conduct of real estate professionals and ensure rules are appropriately implemented, including anti-money laundering requirements.</li> </ul>
Delivering the services people count on	<ul style="list-style-type: none"> <li>RECBC fosters a culture of service excellence.</li> <li>RECBC is a trusted regulatory authority.</li> </ul>
A strong, sustainable economy	<ul style="list-style-type: none"> <li>Consumers and real estate professionals have the information and resources they need to participate effectively in real estate transactions.</li> <li>Working collaboratively with Government, OSRE, BCFSa and other agencies to ensure real estate professionals comply with anti-money laundering requirements.</li> </ul>

## Operating Environment

RECBC does not receive taxpayer funding: the cost of RECBC’s regulatory oversight is covered by licensing fees paid by real estate professionals. And while revenue has been strong in recent years, it is highly dependent on market activity. Historically, numbers of new entrants to licensing courses and applicants for licensing follow the patterns seen in market activity. According to statistics from the British Columbia Real Estate Association (BCREA), in the 2019 calendar year the number of real estate transactions declined from 78,516 in 2018 to 77,331 in 2019, a drop of 1.6%. As a result of the economic impacts of the COVID-19 pandemic there is a significant risk that further market downturn may lead to lower than expected fee revenue. While no material decline in licensing numbers has yet been observed, RECBC budgets conservatively to limit the impact of a market downturn on our operating capacity and ensure that service standards can be maintained in the event of changes in licensing revenue.

One of the most significant challenges that RECBC has experienced in recent years is the rise in complaint volumes, which have increased substantially: a total of 536 complaints were received in 2014/15, compared to 773 complaints and 287 anonymous tips received in 2019/20. We have made significant investments in additional staff capacity and technological improvements in our compliance department to enable RECBC to manage this volume of investigations in a timely manner and reduce its inventory of complaints.

On November 12, 2019, government announced its intention to amalgamate RECBC and OSRE with BCFSa to create a single regulator for the financial services sector including real estate. RECBC is working with the government, OSRE, and BCFSa towards integration in 2021 while continuing to deliver regulatory services and protect consumers. Planning for the integration of



the three organizations is a significant undertaking requiring the participation of management and staff members from all areas of RECBC.

RECBC has made significant changes to the development and delivery of regulatory education, including transitioning administration and development of regulatory education courses from the BCREA to RECBC. Staff were acquired from BCREA to facilitate a smooth transition of customer experience.

RECBC made investments to support strong employee engagement, retention and recruitment, and to build capacity across business areas to help us deliver on our mandate. Investments in data management and information technology were implemented to manage business risks, and to maintain and improve service delivery levels.

RECBC relaunched its website following several months of consultation and development with a third-party contractor. The launch of the website in early 2020 enhances our ability to communicate guidance and information to real estate consumers and professionals and establishes a modern platform for stakeholder and public engagement. In the coming year RECBC will continue to focus on enhancing online services for consumers and real estate professionals.

To mitigate anticipated effects of the COVID-19 crisis on its operating budget, RECBC is sharpening its focus on delivering essential regulatory services, taking steps to reduce operating costs, including deferring salary increases to preserve its workforce, transitioning to online delivery of mandatory regulatory education courses, postponing planned consultation on an enhanced apprenticeship program, realizing savings from reduced travel and meeting expenses, and reviewing planned expenditures.

## **Report on Performance: Goals, Objectives, Measures and Targets**

RECBC has made progress on each of the strategic actions set out by government. The following section summarizes how RECBC measures and reports performance for its three key goals. This performance report highlights RECBC's results achieved for the fiscal year ending March 31, 2020.

### **Goal 1: RECBC fosters a culture of service excellence**

#### **Objective 1.1: Enhance the efficiency and timeliness of compliance and licensing processes**

##### **Key Highlights**

RECBC exceeded its targeted performance measures for this objective, as a result of the following successful strategies and actions:

- Developed and launched a new integrated case management software system for legal and compliance departments to eliminate manual processes and paper files, improve productivity and expand reporting.
- Signed a memorandum of understanding with OSRE to expand investigative capacity.

- Collaborated with OSRE on development of proposed changes to the Administrative Monetary Penalty regime for consultation in 2020.
- Completed compliance and legal file classification analysis, categorizing types of complaints received over 2018 – 2019, to enhance investigative and disciplinary measures.
- Completed a file review process to assess and take action on aged investigative files
- Introduced a settlement conference process to assist in the timely resolution of discipline matters.
- Amended RECBC Bylaws to increase efficiency in hearing procedures while providing reasonable compensation for panel members.

Performance Measure(s)	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.1a Average number of calendar days to complete a complaint investigation <sup>1</sup>	296	245	218	Maintain or decrease from prior year	Maintain or decrease from prior year
1.1b Percentage of complete applications for new individual licences processed within three weeks <sup>2</sup>	89%	90%	97%	Maintain or increase from prior year	Maintain or increase from prior year
1.1c Reduction in 2018/19 inventory of compliance files <sup>3</sup>	700	650	395	400	Maintain or reduce from prior year

1. Data Source: RECBC complaints tracking system
2. Data Source: RECBC licensing tracking system
3. Data Source: RECBC compliance department files

## Discussion of Results

RECBC demonstrates its ability to respond to reported conduct issues in a timely manner while continuing to ensure administrative fairness, through the average length of time required to complete investigations. To ensure that RECBC can effectively and efficiently manage the increasing number and complexity of complaints and investigations, we have modernized processes that enable the organization to respond effectively to a changing environment.

In 2019/20 RECBC received 773 complaints and 287 anonymous tips (opening investigations into 43% of the tips received). To effectively manage this volume of investigations and improve service delivery levels, RECBC has invested in data management and information technology, continued its focus on streamlining administrative processes, prioritized and expedited critical investigations, expanded the capacity of its investigative team and established an intake team to assess new complaints, provided additional training opportunities to team members and implemented practices to facilitate and encourage flexibility and problem-solving.

Process improvements during this period included the re-alignment of compliance staff, a change providing for quicker triage and assessment of incoming complaints with a focus on early resolution where appropriate.

This re-alignment was supported by an increase of compliance staff, adding four compliance officers. The increase in staff complement was complemented by enhancements to RECBC's investigative processes and staff training, with improvements made during a period where complaints requiring investigative follow-up averaged approximately 800 per year.

The success of these actions, along with collaborations with the RECBC legal staff on file review has also enabled RECBC to substantially reduce its inventory of compliance files over the past year, closing 663 files in 2019/20.

RECBC has an obligation to provide licensing services to suitable and qualified applicants in a timely manner. The processing of new licence applications is a key indicator of licensing service standards and efficiency. RECBC has made significant strides in making licensing processes available online, and we will continue to streamline and enhance these services.

## **Objective 1.2: RECBC employees are engaged and motivated**

### **Key Highlights:**

RECBC exceeded its targeted performance measure for this objective, as a result of the following successful strategies and actions:

- Following its inaugural workplace engagement survey, RECBC became a [certified Great Place to Work](#)™ in June 2019. In its December 2019 “pulse check” survey, RECBC achieved a 96% participation rate, further increases across all dimensions of trust and engagement, and the organization was recognized as one of Canada's [Best Workplaces Managed by Women](#).
- RECBC developed a Workplace Diversity and Inclusion Policy to promote equality, diversity and inclusion and achieve a workforce representative of BC's diverse communities, and provided learning and development opportunities for employees in the areas of: Gender Based Analysis+, Reconciliation, Respect in the Workplace, Unconscious Bias, leadership, time management and mentoring.
- RECBC joined the BC Public Service Pension Plan, replacing a defined contribution plan and provided employees with support and information to make personal financial decisions relating to the transition.
- RECBC partnered with Minerva BC to sign the [Diversity Pledge](#), committing to promote diversity, inclusion and foster the development of women leaders in the organization as well as sponsored three female leaders in the Women Leading the Way program
- RECBC continued to optimize its employee performance framework with clear goals and accountabilities that align with operational priorities and pay for performance.
- RECBC developed and launched an internal communications strategy, including employee-facing intranet to ensure that all employees have ready access to up-to-date information to support them to succeed in their roles.

Performance Measure(s)	2018/19 Baseline	2019/20 Forecast	2019/20 Actuals	2020/21 Target	2021/22 Target
1.2 Level of employee engagement <sup>1</sup>	76% <sup>2</sup>	Maintain or increase from prior year	84% <sup>3</sup>	Maintain or increase from prior year	Maintain or increase from prior year

<sup>1</sup>Data source: Great Place to Work™ survey results. RECBC conducts full employee engagement surveys biennially. In alternating years, results are drawn from an employee “pulse check” using a sub-set of questions from the full Great Place to Work™ survey. Results are accurate within +/- 5%.

<sup>2</sup>Great Place to Work™ survey result March 2019.

<sup>3</sup>Results of the December 2019 “pulse check” survey using a sub-set of questions tied to biggest areas of opportunity from the full Great Place to Work™ survey.

## Discussion of Results

RECBC successfully implemented measures to build a culture of service excellence and an engaged and motivated workforce following its first annual employee survey which garnered a 90% employee response rate. A follow-up “pulse check” survey was conducted in December 2019 and resulted in an increased response rate of 96%, capturing the 24-employee increase RECBC experienced since the original survey.

In 2019/20, RECBC focused on employee engagement and human resources practices to promote collaboration and employee satisfaction, ensuring employees are invested in and accountable for implementing our strategic priorities and receive the training and support to increase their skills, expand their knowledge and develop their careers. To improve its capacity to delivery effective regulatory services, RECBC expanded its workforce during the reporting period from 76 to 100 while maintaining licence fees, and reduced attrition from 49% in 2018/19 to 1.5% in 2019/20.

## Goal 2: Consumers and real estate professionals have the information and resources they need to participate effectively in real estate transactions<sup>1</sup>

### Objective 2.1: Increase the availability of consumer resources to support informed real estate decisions

#### Key Highlights

- RECBC launched and promoted a new consumer-focused website featuring expanded consumer resources and increased visual appeal to build public awareness.

<sup>1</sup> As part of its focus on promoting professionalism in the real estate industry, RECBC has adopted the use of the term “real estate professional” to refer to individuals licensed to provide real estate services. This term replaces the term “licensee” used in previous Service Plans and Reports.

- RECBC developed and launched social media channels, building audiences and followings on Twitter, Facebook, LinkedIn through regular postings to increase awareness of its services and resources for real estate consumers.
- RECBC developed a stakeholder engagement plan to seek and develop partnerships that facilitate consumer engagement.
- RECBC produced and released revised versions of mandatory consumer disclosure forms, including plain language consumer information on the risks of dual agency, conflicts of interest, and the benefits of representation. These and other key consumer resources were made available in translation: French, Spanish, Punjabi, Persian, and Chinese versions.
- RECBC developed resources and delivered targeted social media and online advertising campaigns to inform and educate real estate consumers.

Performance Measure(s)	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
Percentage of consumers who feel informed and knowledgeable to participate effectively in a real estate transaction. <sup>1</sup>	70%	N/A	N/A	5% increase	NA

<sup>1</sup> Data source: Biennial consumer survey conducted by Insights West.

## Discussion of Results

To ensure that real estate consumers are well-informed and feel empowered to make the decisions that are most appropriate for them, they need access to independent, relevant, accessible information that helps them to understand the process of a real estate transaction, and the risks and issues that may be encountered.

In 2019/20 RECBC invested in developing information for online and offline delivery to help consumers build the skills and knowledge they need to make sound real estate decisions, and to support real estate professionals to gain and maintain the professional knowledge to provide a high level of service.

RECBC saw a substantial increase in consumer engagement metrics, including higher traffic to consumer pages on our website, and steady growth of followers and engagement with content on our new social media accounts. Through stakeholder engagement and media relations initiatives, RECBC received increased levels of positive media attention, driving RECBC’s exposure and referral to our online resources. Increased media exposure and promotion coincided with the development and relaunch in early 2020 of our website, newly developed with a consumer-focused design and emphasis on providing resources for consumers and real estate professionals to support informed real estate decisions. While the rise in consumer traffic may have also contributed to a higher volume of complaints and anonymous tips, it empowers consumers to come to RECBC for accurate and trusted information resources.

## Objective 2.2: Increase the standard of education and resources provided to real estate professionals

### Key Highlights

- Completed transition of the development and administration of regulatory education from the BCREA to RECBC, increasing RECBC’s oversight, control and direct involvement in content development and instruction of regulatory education, including Applied Practice, Legal Update, and other mandatory courses. As part of the transition, the acquisition of customized education software and other intellectual property related to providing professional education enabled the centralization of data and improved course administration by RECBC.
- In collaboration with OSRE, commenced a comprehensive review and update of RECBC’s key resources for real estate professionals and managing brokers, the Professional Standards Manual and Brokerage Standards Manual.
- Developed two new courses in the areas of Anti-Money Laundering and Ethics, increasing the current continuing education requirements for real estate professionals from two to three courses within the two-year licensing cycle
- Developed and published updated regulatory guidance on anti-money laundering and compliance with requirements under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
- Engaged industry stakeholders through the RECBC Education Advisory Group to explore implementing a more formal apprenticeship model to enhance regulatory education.
- Introduced the *Professional Matters* webinar series for managing brokers, designed to support managing brokers by addressing regulatory changes and practice issues in today’s real estate industry. Webinar topics covered included: Teams, Agency and Advertising, Impacts of Cannabis Legalization, Rental and Trading Services, Disclosures for Trading Services and Rental Property Management.

Performance Measure(s)	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.2a Percentage of managing brokers who agree that RECBC education prepares real estate professionals for competent and professional practice <sup>1</sup>	87%	N/A	N/A	Maintain or increase from prior results	N/A

<sup>1</sup> Data Source: Biennial survey of managing brokers conducted by Insights West.

### Discussion of Results

Managing brokers have attained a higher level of licensing, must be experienced practitioners, and are responsible for oversight of all real estate professionals at a real estate brokerage. They are thus well positioned to assess the competency of real estate professionals under their supervision. The first survey to establish a baseline indicator of agreement by managing brokers

of the degree to which regulatory education prepares real estate professionals for competent practice was conducted in 2018/19 and establishes a baseline from which to project targeted increases for the coming years.

### Goal 3: RECBC is a Trusted Regulatory Authority

#### Objective 3.1: Raise awareness of RECBC’s mandate and strengthen relationships with stakeholders

##### Key Highlights

- Participated in consultations and working groups at provincial and federal governmental levels on regulatory and consumer protection issues, including Expert Panel on Housing Supply, Federal/Provincial Anti-Money Laundering Working Group, Land Title and Survey Authority.
- Engaged with stakeholders through RECBC Advisory Groups (including Trading Services Advisory Group, Strata Management Services Advisory Group, Education Advisory Group) to receive input from industry experts on proposed changes to practice standards, opportunities to improve RECBC service delivery, and track emerging regulatory issues.
- Conducted consumer focus tests measuring awareness levels among members of the public regarding RECBC’s role and mandate and developed a public relations strategy to increase awareness and engagement.
- Participated in stakeholder engagement led by the Insurance Bureau of Canada’s Commercial Task Force in relation to rising insurance costs for strata corporations.
- With input from OSRE, developed *Sanction Guidelines* to assist discipline committees in determining appropriate penalties for individuals found liable of professional misconduct and increase awareness among stakeholders of the basis for penalties and remedial orders made by RECBC.
- Developed a *Guide to RECBC’s Consent Order Process*, to increase transparency and ensure that members of the public and real estate professionals understand the procedures and policies for consent orders, consent order proposals and the proceedings of RECBC’s Consent Order Review Committee.
- Awarded annual Real Estate Endowment Fund awards to business and real estate program students at UBC, SFU and BCIT who demonstrate good corporate citizenship, integrity, and ethics.

Performance Measure(s)	2018/19 Baseline	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.1 Percentage of recent real estate consumers who are aware of RECBC’s mandate <sup>1</sup>	65%	N/A	N/A	Maintain or increase from prior results	N/A

Data Source: Biennial consumer survey conducted by Insights West.



## Discussion of Results

This performance measure is tracked through a survey of recent real estate consumers conducted by a third-party research firm every two years. Surveying consumers every second year allows for sufficient time to analyze results and implement measures to improve future results.

Through ongoing engagement and collaboration with OSRE and BCFSa, as well as industry stakeholders, government, and key consumer groups, we have continued to build support and recognition of our role as a consumer-focused regulator of licensed real estate professionals, and a source of accurate, impartial real estate information as we move towards becoming a single regulator in 2021.

### Objective 3.2: RECBC will work with OSRE and other partners to address market conduct and consumer risks

#### Key Highlights

RECBC exceeded its targeted performance measure for this objective, as a result of the following successful strategies and actions:

- Collaborated with OSRE and the Ministry of Finance on policy initiatives to review the role of managing brokers in real estate regulation and the ethical conduct and standards of real estate professionals.
- Developed and implemented a memorandum of understanding with OSRE to expand RECBC’s investigative capacity, based on the Superintendent’s investigative authority of real estate professionals in cases where the conduct may be seriously detrimental to the public interest.
- In collaboration with OSRE and key stakeholders, introduced updated guidance for real estate professionals on the exemption to the ban on dual agency for remote areas and consumer information to build awareness of the risks relating to conflicts of interest and dual agency.
- Launched *Anti-Money Laundering in Real Estate*, Canada’s first mandatory anti-money laundering course for real estate professionals. Conducted a sustained marketing and awareness campaign resulting completion of the course by more than 10,000 real estate professionals by end of March 2020.
- Developed targeted awareness campaigns for consumers and real estate professionals about emerging risks, including challenges to real estate transactions and services during the COVID-19 public health emergency.

Performance Measure(s)	2017/18 Baseline	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.2a Number of people who access RECBC Advisory Notices online <sup>1</sup>	4,676 Baseline	32% increase	5% increase	10% increase	Maintain or increase from prior year	Maintain or increase from prior year

<sup>1</sup>Data Source: RECBC website analytics (note that 2017/18 is a 9-month fiscal period).



## Discussion of Results

RECBC measures success by demonstrating annual increases in the number of visits to consumer advisory information available on our website about emerging risks and RECBC’s guidance on ways to prevent or reduce the likelihood of harm.

Through collaboration with OSRE, as well as engagement with industry stakeholders, government and consumers, we have built on and expanded recognition of our role as a consumer-focused regulator of licensed real estate professionals, and a source of accurate, impartial real estate information.

Significant increases in numbers of visitors to RECBC’s online consumer advisory information in 2018/19 were partly attributable to changes in regulatory requirements that gained widespread media attention, resulting in an overall increase in website traffic. In 2019/20, the introduction of a new consumer-focused RECBC website, along with the publication of advisories relating to real estate transactions during the COVID-19 public health emergency led to further gains in numbers of site visits.

### Objective 3.3: Implement measures to strengthen enforcement of conduct requirements for real estate professionals and increase consumer protection

#### Key Highlights

- Signed a memorandum of understanding with FINTRAC to cooperate and share information to facilitate anti-money laundering enforcement activities in British Columbia’s real estate sector – becoming the first provincial real estate regulator to partner with Canada’s financial intelligence unit.
- Worked with input from FINTRAC to develop the mandatory *Anti-Money Laundering in Real Estate* course and ensure that brokerages understand their anti-money laundering requirements.
- Enhanced RECBC’s brokerage audits (office records and inspection program) to provide more education for managing brokers on best practices for brokerage policy and records management.
- Conducted a survey of managing brokers on audit performance.
- Transitioned to online audit workbooks, eliminating paper files and streamlining audit processes as part of continuous business process improvement.

Performance Measure(s)	2019/20 Baseline	2020/21 Target	2021/22 Target	2022/23 Target
3.3 Percentage of audits that do not result in administrative penalties or disciplinary proceedings. <sup>1</sup>	92%	Maintain or increase from prior year	Maintain or increase from prior year	Maintain or increase from prior year

<sup>1</sup>Data Source: RECBC audit tracking system.

## **Discussion of Results**

RECBC measures the effectiveness of initiatives to increase compliance by brokerages by tracking the number of audits that do not result in administrative penalties or disciplinary proceedings against the brokerage. RECBC has established a baseline of audits not resulting in penalties or discipline proceedings in 2019/20, from which to project targeted increases for the coming years. These targets will be included in future service plans and reviewed and adjusted as required.

Rules came into effect in late 2017 that currently enable RECBC to apply administrative penalties for a limited range of infractions. RECBC and OSRE have developed changes to administrative penalties for consultation in 2020 which, when implemented will significantly impact the application of penalties and RECBC's ability to resolve discipline matters more transparently and efficiently.

## **Financial Report**

The Real Estate Council of BC (RECBC) does not receive taxpayer funding. Key activities described in this 2019/20 Annual Service Plan Report were primarily funded through licensing assessment fees which are gathered biennially from the more than 25,000 individuals and brokerages we license and regulate. The transition of the delivery of mandatory licensing education program from BCREA to RECBC in October 2019 resulted in additional staff and operating costs funded by a return of surplus funds from BCREA and increased course fee revenue in 2019/20. A small portion of our revenue in 2019/20 was derived from enforcement sanctions, and as is required under the *Real Estate Services Act* was directed to the internally-restricted Education Fund, which was used to support licensee and consumer engagement initiatives, including the development of the new consumer-focused website, updates to consumer disclosure forms, comprehensive review of regulatory practice guidance materials, course development costs, and instructor fees.

RECBC's budget includes fees collected and remitted on behalf of the Superintendent of Real Estate, the Real Estate Errors and Omissions Insurance Corporation (REEOIC), and the Real Estate Compensation Fund Corporation (RECFC). RECBC expenditures are divided between investigative functions (compliance department and a portion of audit and legal expenses, excluding salaries) and administrative and other costs (education, communications, legal, audit and professional advisory services).

## **Highlights**

This discussion of financial position and results of operations of RECBC should be read in conjunction with our audited consolidated financial statements for the year ended March 31, 2020.

RECBC is the provincial crown agency responsible for protecting consumers by licensing and regulating real estate professionals providing trading services, rental property management services, and strata management services. Results include the consolidated financials of the Real Estate Errors and Omissions Corporation (REEOIC), a government business entity controlled by RECBC. The impacts of the audited financial statement of the REEOIC investment are significant and directly affect the accumulated remeasurement gains (losses) recognized annually by RECBC.

Together with REEOIC the accumulated surplus is \$33,689K, an increase of \$2,323K over the previous year. This is comprised of \$34,417K for the operating surplus and a loss of \$728K for the remeasurement gains and losses as a result of the consolidation with REEOIC as at March 31, 2020.

Although not specifically identified on the consolidated statement of financial position, the RECBC accumulated surplus, without REEOIC, is \$8,195K.

## Financial Summary

<b>\$0</b>	<b>2018/19 Actual</b>	<b>2019/20 Budget <sup>9</sup></b>	<b>2019/20 Actual</b>	<b>2019/20 Variance</b>
<b>Revenue</b>				
Licence Fees <sup>1</sup>	1,100	1,176	1,069	-107
Assessment Fees <sup>1</sup>	9,809	10,115	9,577	-538
Course Fee <sup>2</sup>	1,301	869	3,613	2,744
Other Interest and Investment Income (net) <sup>3</sup>	234	-213	686	899
<b>Total Revenue</b>	<b>12,444</b>	<b>11,947</b>	<b>14,945</b>	<b>2,998</b>
<b>Expenses</b>				
Operational & Administration <sup>4</sup>	8,724	9,843	12,016	2,173
Investigative <sup>4</sup>	999	1,086	991	-95
Other <sup>5</sup>	907	1,018	2,238	1,220
<b>Total Expenses</b>	<b>10,630</b>	<b>11,947</b>	<b>15,245</b>	<b>3,298</b>
<b>Net Income</b>	<b>1,814</b>	<b>-</b>	<b>-300</b>	<b>-300</b>
<b>Total Liabilities <sup>6</sup></b>	<b>972</b>	<b>700</b>	<b>1,863</b>	<b>1,163</b>
<b>Capital Expenditures <sup>7</sup></b>	<b>1,339</b>	<b>375</b>	<b>1,556</b>	<b>1,181</b>
<b>Accumulated Surplus – <sup>8</sup></b>	<b>31,366</b>	<b>32,894</b>	<b>34,417</b>	<b>1,523</b>

**Note 1:** No change in fees.

**Note 2:** 2019/20 includes administration of mandatory continuing education courses and surplus funds returned from BCREA.

**Note 3:** Includes deferred revenue from prior years to align with expenses incurred in 2019/20.

**Note 4:** Allocation of expenditures for 2018/2019 are reclassified to conform to the classifications used in the current year.

**Note 5:** Increased expenditures for mandatory continuing education course administration, salaries, rent, IT and depreciation.

**Note 6:** Increases due to deferred revenue for licence fees and assessments and education course fee revenue, staff vacation accruals and increase in accrued liabilities..

**Note 7:** Includes acquisition of online education platform and website updates.

**Note 8:** Change to investment in Controlled Entity REEOIC.

**Note 9:** Budget disclosed in the audited financial statements included with this Service Plan Report is based on the updated RECBC budget approved by Council in September 2019.

**Note 10:** The above financial information was prepared based on current Generally Accepted Accounting Principles.

## **Variance and Trend Analysis**

RECBC does not receive taxpayer funding. Most of our revenue comes from licensing fees, education fees, and enforcement sanctions issued against real estate professionals under the *Real Estate Services Act*.

### *Licensing and Assessment Fee Revenue*

RECBC collects licensing fees and assessment fees as outlined in its Bylaws under section 85 of the Real Estate Services Act. A licence fee of \$50 is collected to cover costs associated with licence issuance, while an additional licence fee of \$150 is collected on behalf of the Superintendent of Real Estate and remitted to that office. An assessment fee of \$500 is collected to cover operational expenses and for matters under the administration of RECBC. There were no changes to licensing and assessment fees in 2019/20.

RECBC collects licensing fees for: first time licensing applications and relicensing applications for individuals, personal real estate corporations, brokerages, branches, and sole proprietors; licence transfers or reinstatement applications; changes of licence level or category; and name changes.

Licensing and assessment fee revenue varies according to real estate market conditions. Licensing fee revenues in 2019/20 were \$1,069K.

### *Education Fee Revenue*

RECBC receives a portion of education fees paid to the University of British Columbia, Sauder School of Business, Real Estate Division for pre-licensing education courses, mandatory continuing education courses, and remedial education courses. RECBC also received a portion of education fees paid to the BCREA for Applied Practice Course and mandatory continuing education courses up to September 30, 2019 and thereafter full fees as RECBC transitioned to be responsible for the Applied Practice Course and mandatory education courses.

Education revenue varies according to real estate market conditions and the numbers of new entrants to the real estate industry. In 2019/20, a new mandatory continuing education course was introduced, the Anti-Money Laundering in Real Estate course, delivered by the Real Estate Division, Sauder School of Business. Education revenues in 2019/20 were \$3,076K and there was a return of surplus funds of \$538K from the BCREA Applied Practice Course and Legal Update Course reserves.

### *Enforcement Sanction Revenue*

RECBC collects sanctions relating to enforcement matters. Enforcement sanctions revenue includes administrative penalties and discipline penalties issued under the *Real Estate Services Act*. Sanction revenue may vary significantly between periods and is allocated to RECBC's Education Fund, to be spent for the purposes of educating real estate professionals and the general public about real estate transactions and the services to expect of licensed real estate professionals.

### *Total Operating Expenses*

Employee compensation accounts for approximately 59% of operating expenses. Changes in RECBC's benefits and the adoption of the Public Sector Pension Plan, along with Employer Health Tax changes contributed to the increase in employee compensation as a percentage of operating expenses over the past year. RECBC competes for staff with law, accounting and audit firms, as well as with other regulators. Our compensation package includes performance-based salary increases. To remain competitive, we engaged in a total compensation review to ensure our salaries are comparable with other similar organizations.

We engage consultants when we need specialized services, primarily legal services in relation to prosecution of disciplinary matters. Other professional services costs in 2019/20 include technology consultants, HR recruitment fees and hearing transcription services.

Our offices are in downtown Vancouver. In 2019/20 we expanded our premises to accommodate our growing organization. Our 19,000 square feet of office space cost approximately \$27/sq. ft for 2019/20.

### **Risks and Uncertainties**

RECBC maintains a business continuity plan to restore critical functions promptly in the event of a disaster or business disruptions.

Preparations for the planned amalgamation with OSRE and BCFSA in 2021 are anticipated to create additional demands on RECBC staff and may require increased expenditures in consultancy fees. RECBC is taking steps to mitigate this by re-allocating staff resources and re-prioritizing initiatives in order to address requirements of the amalgamation.

Fee revenue is inherently uncertain and volatility in real estate markets can cause licensing and education revenues to fluctuate. RECBC maintains approximately four months operating expenses as unrestricted surplus to fund operations and maintain \$2,428K of operating surplus in internally restricted funds.

Revenue from enforcement sanctions cannot be predicted and budget forecast assumptions are based on the volume of discipline files in the legal department and previous year actuals.

The REEOIC investments are impacted by investment returns, both realized (through sales, interest, or dividends) and unrealized (through fluctuations in market values). At March 31, 2020, the balance of unrealized losses for RECBC's investment in REEOIC, net of income taxes, was \$728K.

## Auditor's Report



Suite 900-750 West Pender Street Vancouver, BC Canada V6C 2T8  
TEL: 604 683 9664 | TOLL-FREE: 1 877 683 9664 | FAX: 604 683 9017

### 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 exercise 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:

Elaine Duvall  
Chair

Erin Seeley  
Chief Executive Officer

Real Estate Council of British Columbia (established pursuant to *Real Estate Services Act* SBC 2004 CH.42)

[www.recbc.ca](http://www.recbc.ca)



# Independent Auditor's Report

To the Real Estate Council of British Columbia

To the Ministry of Finance:

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Grant Thornton LLP  
Suite 1800  
333 Seymour Street  
Vancouver, BC  
V6B 0A4  
T +1 604 687 2711  
F +1 604 685 6569

## Opinion

We have audited the consolidated financial statements of Real Estate Council of British Columbia ("RECBC"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RECBC as at March 31, 2020, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for opinion

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

## Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RECBC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RECBC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the RECBC to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within RECBC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton LLP*

Chartered Professional Accountants

Vancouver, Canada  
May 19, 2020

**Audited Financial Statements**

<b>Real Estate Council of British Columbia</b>		
<b>Consolidated Statement of Financial Position</b>		
March 31	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents	\$ 5,719,516	\$ 6,304,420
Investments (Note 3)	1,246,876	1,246,876
Investment in government business enterprise (Note 4)	25,493,902	22,871,433
Accounts and accrued interest receivable	336,937	286,625
	<u>32,797,231</u>	<u>30,709,354</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	905,934	389,257
Deferred revenue	775,958	207,300
Deferred contributions - Education (Note 6)	180,705	375,236
	<u>1,862,597</u>	<u>971,793</u>
<b>Net financial assets</b>	<u>30,934,634</u>	<u>29,737,561</u>
<b>Non-financial assets</b>		
Prepaid expenses	322,270	233,946
Tangible capital assets (Note 7)	2,431,720	1,394,575
	<u>2,753,990</u>	<u>1,628,521</u>
<b>Accumulated surplus</b>	<u>\$ 33,688,624</u>	<u>\$ 31,366,082</u>
<b>Accumulated surplus is comprised of:</b>		
Accumulated operating surplus	\$ 34,416,230	\$ 30,667,420
Accumulated remeasurement (losses) gains	(727,606)	698,662
	<u>\$ 33,688,624</u>	<u>\$ 31,366,082</u>

Commitments and contingency (Note 9)  
Subsequent events (Note 15)

On behalf of RECBC



Chair



Chief Executive Officer

**Real Estate Council of British Columbia  
Consolidated Statement of Operations and Accumulated  
Operating Surplus**

	Budget	Year ended March 31, 2020	Year ended March 31, 2019
Revenue			
Licensing	\$ 1,175,760	\$ 1,069,152	\$ 1,100,415
Assessments	10,115,395	9,576,586	9,809,048
Return of Surplus Funds from BCREA	-	537,642	-
Course fees	3,864,500	3,075,786	1,301,100
Discipline penalties (Note 6)	292,000	499,431	147,094
Investment income and other	(213,400)	186,698	87,185
	<u>15,234,255</u>	<u>14,945,295</u>	<u>12,444,842</u>
Expenses (Note 14)			
Administrative expenses	10,824,154	12,015,540	8,724,086
Investigation expenses	1,095,751	991,371	998,780
Other expenses	3,314,350	2,238,311	907,071
	<u>15,234,255</u>	<u>15,245,222</u>	<u>10,629,937</u>
(Deficiency) excess of revenue over expenses	<u>\$ -</u>	<u>(299,927)</u>	1,814,905
Income (loss) from government business enterprise (Note 4)		<u>4,048,737</u>	<u>(393,614)</u>
Operating surplus		<u>3,748,810</u>	1,421,291
Accumulated operating surplus, beginning of year		<u>30,667,420</u>	<u>29,246,129</u>
Accumulated operating surplus, end of year		<u>\$ 34,416,230</u>	<u>\$ 30,667,420</u>

<b>Real Estate Council of British Columbia</b>		
<b>Consolidated Statement of Remeasurement Gains</b>		
	Year ended March 31, 2020	Year ended March 31, 2019
Accumulated remeasurement (losses) gains, beginning of year	\$ 698,662	\$ (83,895)
Other comprehensive (loss) income from government business enterprise (Note 4)	<u>(1,426,268)</u>	<u>782,557</u>
Accumulated remeasurement (losses) gains, end of year	<u>\$ (727,606)</u>	<u>\$ 698,662</u>

**Real Estate Council of British Columbia  
Consolidated Statement of Changes in Net Financial Assets**

	Budget	Year ended March 31, 2020	Year ended March 31, 2019
Operating surplus	\$ -	\$ 3,748,810	\$ 1,421,291
Additions to tangible capital assets	(375,000)	(1,555,678)	(1,338,949)
Amortization of tangible capital assets	306,000	518,533	236,024
Change in prepaid expenses	-	(88,324)	(17,641)
Net remeasurement (loss) gains	-	(1,426,268)	782,557
Increase in net financial assets	<u>\$ (69,000)</u>	<u>1,197,073</u>	1,083,282
Net financial assets, beginning of year		<u>29,737,561</u>	<u>28,654,279</u>
Net financial assets, end of year		<u>\$ 30,934,634</u>	<u>\$ 29,737,561</u>

**Real Estate Council of British Columbia  
Consolidated Statement of Cash Flows**

	Year ended March 31, 2020	Year ended March 31, 2019
Cash derived from (applied to)		
<b>Operating activities</b>		
Operating surplus	\$ 3,748,810	\$ 1,421,291
Adjustments for items not affecting cash		
Amortization of tangible capital assets	518,533	236,024
(Income) loss from government business enterprise	<u>(4,048,737)</u>	<u>393,614</u>
	<b>218,606</b>	2,050,929
Changes in non-cash working capital items		
Accounts and accrued interest receivable	<u>(50,312)</u>	(132,605)
Prepaid expenses	<u>(88,324)</u>	(17,641)
Accounts payable and accrued liabilities	516,677	171,612
Deferred revenue	568,658	(285,115)
Deferred contributions - Education	<u>(194,531)</u>	<u>204,532</u>
	<b>970,774</b>	1,991,712
<b>Investing activities</b>		
Purchase of investments	-	643,183
Purchase of tangible capital assets	<u>(1,555,678)</u>	<u>(1,338,949)</u>
	<b>(1,555,678)</b>	(695,766)
Net (decrease) increase in cash	<b>(584,904)</b>	1,295,946
Cash and cash equivalents, beginning of year	<u>6,304,420</u>	<u>5,008,474</u>
Cash and cash equivalents, end of year	<b>\$ 5,719,516</b>	<b>\$ 6,304,420</b>

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## **Real Estate Council of British Columbia**

### **Notes to the Consolidated Financial Statements**

March 31, 2020

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#### **1. Nature of operations**

The Real Estate Council of British Columbia ("RECBC") is a provincial Crown corporation 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").

RECBC is responsible for licensing individuals and brokerages engaged in real estate sales, rental and strata property management. RECBC 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), RECBC qualifies as a non-profit organization and is exempt from income taxes.

On November 12, 2019 Minister of Finance Carole James announced the Province's intention to move towards a single regulator model for the financial services sector, including real estate.

The move to a single regulator will see the Office of the Superintendent of Real Estate (OSRE) and RECBC integrated within the BC Financial Services Authority (BCFSA). The roll out of an integrated real estate and financial services sector regulator will require legislative change and it is anticipated to be finalized for spring 2021.

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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.

##### **Controlled entities**

RECBC 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 RECBC's financial statements. At March 31, 2020, the balance of trust net assets was \$17,598,289 (2019 - \$17,724,505). The RECFC's transactions RECBC are disclosed in Note 12.



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## **Real Estate Council of British Columbia**

### **Notes to the Consolidated Financial Statements**

March 31, 2020

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#### **2. Summary of significant accounting policies (continued)**

##### **Investment in government business enterprise**

Real Estate Errors and Omissions Corporation (“REEOIC”) is a government business enterprise (“GBE”) controlled by RECBC. REEOIC is a special act corporation incorporated as a corporation without share capital under the Real Estate Services Act. REEOIC is taxable under the Income Tax Act (Canada). REEOIC 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.

The investment in government business enterprise is accounted for by the modified equity method. Under this method, RECBC 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 RECBC.

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 RECBC.

##### **Revenue recognition**

RECBC collects licence and assessment fees for a two year period in advance. These fees are recognized as revenue in the period received because RECBC 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.

**Real Estate Council of British Columbia**  
**Notes to the Consolidated Financial Statements**

March 31, 2020

**2. Summary of significant accounting policies (continued)**

**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:

Website development	2 years
Education platform	4 years
Computer equipment	4 years
Office equipment	5 years
Leasehold improvements	term of the lease plus one renewal period, being 15 years

**Financial instruments**

RECBC'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.

<b>3. Investments</b>	<u>2020</u>	<u>2019</u>
GICs at 1.90% and 2.91% (2019: 1.90% to 2.91%) maturing between October 5, 2020 and February 16, 2023	<b>\$ 1,246,876</b>	\$ 1,246,876

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**Real Estate Council of British Columbia**  
**Notes to the Consolidated Financial Statements**

March 31, 2020

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**4. Investment in government business enterprise**

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

<b>Statement of financial position</b>	<u>2020</u>	<u>2019</u>
Total assets	\$ 64,674,311	\$ 60,369,857
Total liabilities	39,180,409	37,498,424
Equity	25,493,902	22,871,433
<b>Statement of operations</b>	<u>Year ended March 31, 2020</u>	<u>Year ended March 31, 2019</u>
Revenue	\$ 10,840,373	\$ 10,807,316
Expenses	(7,493,106)	(13,041,660)
Other income	2,078,751	1,526,133
Earnings before income taxes	5,426,018	(708,211)
Income tax expense (recovery)	1,377,281	(314,597)
Net earnings	4,048,737	(393,614)
Other comprehensive (loss) income	(1,426,268)	782,557
Net earnings and other comprehensive income	\$ 2,622,469	\$ 388,943

In fiscal 2020, RECBC charged a fee of \$83,045 (2019 - \$81,070) to REEOIC with respect to fees collected on REEOIC's behalf.

Total liabilities include \$5,965 (2020 - \$5,080) payable to the RECBC.

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**5. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are government remittances of \$1,376 (2019 - \$37,000).

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**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 RECBC on account of a discipline penalty under Section 43 (2) (i) may be expended by RECBC 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.

**Real Estate Council of British Columbia**  
**Notes to the Consolidated Financial Statements**

March 31, 2020

**6. Deferred contribution – Education (continued)**

The restricted contributions related to discipline penalties are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 375,236	\$ 170,704
Discipline penalties received	304,900	351,626
Expenditures	<u>(499,431)</u>	<u>(147,094)</u>
Balance, end of year	<u>\$ 180,705</u>	<u>\$ 375,236</u>

**7. Tangible capital assets**

	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Website Development</u>	<u>Education Platform</u>	<u>Total</u>
<b>Cost</b>						
Balance, March 31, 2019	\$ 559,637	\$ 642,724	\$ 639,648	\$ -	\$ -	\$ 1,842,009
Additions	423,076	196,484	121,863	269,703	544,552	1,555,678
Disposals	-	-	-	-	-	-
<b>Balance, March 31, 2020</b>	<u>982,713</u>	<u>839,208</u>	<u>761,511</u>	<u>269,703</u>	<u>544,552</u>	<u>3,397,687</u>
<b>Accumulated depreciation</b>						
Balance, March 31, 2019	238,391	122,502	86,541	-	-	447,434
Depreciation	166,531	141,896	51,921	67,426	90,759	518,533
Disposals	-	-	-	-	-	-
<b>Balance, March 31, 2020</b>	<u>404,922</u>	<u>264,398</u>	<u>138,462</u>	<u>67,426</u>	<u>90,759</u>	<u>965,967</u>
<b>Carrying amount, March 31, 2019</b>	<u>321,246</u>	<u>520,222</u>	<u>553,107</u>	<u>-</u>	<u>-</u>	<u>1,394,575</u>
<b>Carrying amount, March 31, 2020</b>	<u>\$ 577,791</u>	<u>\$ 574,810</u>	<u>\$ 623,049</u>	<u>\$ 202,277</u>	<u>\$ 453,793</u>	<u>\$ 2,431,720</u>

## Real Estate Council of British Columbia Notes to the Consolidated Financial Statements

March 31, 2020

### 8. Accumulated operating surplus

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

	Balance, beginning of year	Operating surplus	Transfers	Balance, end of year
Internally restricted				
Technology fund (a)	\$ 453,395	\$ -	\$ 3,823	\$ 457,218
Legal defence fund (general) (b)	453,395	-	3,823	457,218
Legal defence fund (special compensation fund) (b)	150,994	-	1,116	152,110
Enforcement fund (c)	503,810	-	4,299	508,109
Education fund (d)	854,088	-	-	854,088
Unrestricted	6,078,967	(299,927)	(13,061)	5,765,979
Government business enterprise	22,172,771	4,048,737	-	26,221,508
Total accumulated operating surplus	<u>\$ 30,667,420</u>	<u>\$ 3,748,810</u>	<u>\$ -</u>	<u>\$ 34,416,230</u>

#### (a) Technology Fund

The Technology Fund is to be used for investing in new technology that would increase efficiency and improve services to real estate consumers and licensees.

#### (b) Legal Defence Funds

The Legal Defence Fund is to be used to pay, on behalf of RECBC, 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 RECBC, or an employee of RECBC 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 RECBC in their capacity with RECBC. 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.

#### (d) Education Fund

The Education Fund was funded by a \$500,000 transfer of licensing course revenue surplus from the British Columbia Real Estate Association (BCREA) in fiscal 2017 and an allocation of relicensing education course fees, New Rules (UBC) for \$354,088 in fiscal 2019.

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**Real Estate Council of British Columbia**  
**Notes to the Consolidated Financial Statements**

March 31, 2020

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**9. Commitments and contingency**

(a) RECBC has lease commitments for its office premises it occupies. Base rent is estimated as follows:

2021	\$	498,883
2022		512,677
2023		526,471
2024		540,265
2025		554,059
Thereafter		<u>5,264,710</u>
	\$	<u>7,897,065</u>

In addition to base rent, RECBC is responsible for paying its portion of operating costs.

(b) RECBC 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 RECBC.

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**10. Financial instruments**

At March 31, 2020, the financial assets measured at amortized cost totalled \$7,303,329 (2019 – \$7,837,921).

At March 31, 2020, the financial liabilities measured at amortized cost totalled \$905,934 (2019 - \$389,257).

*Interest rate risk*

RECBC 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. RECBC did not hold any investments in equity securities at March 31, 2020.

*Currency risk*

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

*Credit and market risk*

RECBC 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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## **Real Estate Council of British Columbia Notes to the Consolidated Financial Statements**

March 31, 2020

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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. RECBC 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 RECBC and the Foundation.

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### **12. Related party transactions and balances**

In fiscal 2020, RECBC charged a fee of \$10,975 (2019 - \$13,240) to the RECFC for revenue collected on their behalf with respect to the compensation fund. RECBC controls the RECFC since it has the ability to appoint the majority of its board members.

As of 2020, the RECFC has a payable to RECBC of \$1,515 (2019 - \$2,720).

During the year, RECBC collected licence fees of \$3,207,476 (2019 - \$3,247,994) 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**

To December 31, 2019, RECBC contributed to a defined contribution pension plan administered by Sun Life Financial for all staff that have been employed for more than 1 year. RECBC contributes 7% of regular staff salaries to the plan on a monthly basis. RECBC expense for the 2020 fiscal period was \$231,710 (2019-\$222,218). The final contributions to this plan were up to December 31, 2019.

Beginning January 1, 2020, RECBC and its employees started contributing to the Public Service Pension Plan, which is a multiemployer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan.

The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2017 indicated a \$1,896 million funding surplus for basic pension benefits.

The plan is accounted for as a defined contribution plan. RECBC contributes 9.85% of regular staff salaries to the plan. During the year RECBC paid \$164,870 (2019 - \$nil)

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**Real Estate Council of British Columbia**  
**Notes to the Consolidated Financial Statements**

March 31, 2020

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**14. Expenses by object**

	Year ended March 31, 2020	Year ended March 31, 2019
Amortization of tangible capital assets	\$ 518,533	\$ 236,024
Council members honorariums/committee meeting fees	162,350	181,048
Conference	35,756	68,726
Court reporter services	-	13,528
Dues, subscriptions and publications	121,231	97,905
Education programs	1,235,906	-
Education/research grants awarded	99,175	147,478
Electronic communication	625,709	450,923
Equipment maintenance	73,928	49,593
Forensic investigation/receiverships	11,421	28,422
Insurance	13,869	10,503
Media and public relations	97,368	118,209
Office rent and operating costs, net	1,036,274	838,382
Postage, mailing and delivery	48,102	47,255
Printing and stationery	118,436	92,438
Professional services	1,571,032	1,354,992
Salaries	9,006,364	6,521,097
Spot audits	42,763	22,996
Telephone	86,567	59,685
Travel and accommodation	130,350	158,138
Travel and hearing recovery	(43,250)	(115,520)
Visa and bank charges	253,338	248,115
	<b>\$ 15,245,222</b>	<b>\$ 10,629,937</b>

**15. Subsequent events**

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our operations are not known at this time. These impacts could include potential future decreases in revenue and the value of investments held by RECBC's controlled government business enterprise. Management is closely monitoring the evolving situation and taking measures to mitigate potential negative impacts to RECBC.

**16. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the classifications used in the current year.



## **Appendix A: Additional Information**

### **Organizational Overview**

Information about RECBC's operating environment can be found at:

<https://www.recbc.ca/about-us>.

This includes links to information about:

- RECBC's mandate
- Core business areas and goals

The *Real Estate Services Act*, the enabling statute for RECBC, is available here:

<https://www.recbc.ca/public-protection/legislation-policies>

### **Corporate Governance**

Information about RECBC's Corporate Governance can be found at:

<https://www.recbc.ca/about-us/governance>

This includes links to information regarding:

- Council members
- Council committees and advisory groups
- Executive Team

### **Public Reviews of Real Estate Regulation**

[Real Estate Regulatory Structure Review](#), September 2018

[Report of the Independent Advisory Group on Conduct and Practices in the Real Estate Industry in British Columbia](#), June 2016

### **Related Organizations**

Information about the Real Estate Compensation Fund Corporation can be found at:

<https://www.recbc.ca/about/ar.html>

Information about the Real Estate Errors and Omissions Corporation can be found at:

<https://www.reeoic.com/>

Information about the Office of the Superintendent of Real Estate can be found at:

<https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/central-government-agencies/office-of-the-superintendent-of-real-estate>

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