

The Real Estate Foundation of BC
Financial Statements
March 31, 2019

The Real Estate Foundation of BC

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For the year ended March 31, 2019

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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 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.

June 14, 2019

Chief Executive Officer

Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Real Estate Foundation of BC (the "Foundation"), which comprise the statement of financial position as at March 31, 2019, the statements of operations and grant stabilization reserve, remeasurement of gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, and the results of its operations, remeasurement of gains and losses, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Vancouver, British Columbia

June 14, 2019

MNP LLP

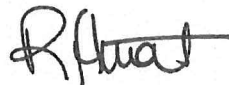
Chartered Professional Accountants

The Real Estate Foundation of BC
Statement of Financial Position
As at March 31, 2019

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	1,574,913	745,304
Interest receivable from trust accounts	435,444	418,528
Investments (Note 5)	20,817,399	19,370,895
Accrued investment interest	16,135	-
	22,843,891	20,534,727
Financial Liabilities		
Accounts payable and accruals	73,933	59,938
Grants payable (Note 6)	8,248,650	6,968,369
	8,322,583	7,028,307
Net Financial Assets	14,521,308	13,506,420
Commitments (Note 7)		
Non-Financial Assets		
Prepaid expenses	41,604	34,719
Tangible capital assets (Note 4, Schedule 1)	61,077	102,220
	102,680	136,939
Accumulated Surplus	14,623,988	13,643,359
Accumulated surplus is comprised of:		
Grant stabilization reserve (Note 8)	12,804,321	12,569,805
Accumulated remeasurement gains and losses	1,819,666	1,073,554
	14,623,988	13,643,359

Approved on behalf of the Board

Chair Ramona Faust


 Vice Chair _____

The Real Estate Foundation of BC
Statement of Operations and Grant Stabilization Reserve
For the year ended March 31, 2019

	<i>Budget 2019 (Note 10)</i>	2019	2018
Revenues			
Real estate brokerage trust account income	7,765,800	6,939,062	6,051,314
Investment income	285,600	920,543	480,905
Realized gains (loss) on sale of investments	250,000	(3,161)	2,234,097
	8,301,400	7,856,444	8,766,316
Expenses (Note 12)			
Administrative services	2,206,282	2,045,748	1,644,851
Grants (net of recovery)	5,680,000	5,308,461	6,467,254
Trust account services charges	240,000	267,718	235,174
Total Expenses	8,126,282	7,621,927	8,347,279
Surplus for the year	175,118	234,516	419,037
Grant stabilization reserve, beginning of year	12,569,805	12,569,805	12,150,768
Grant stabilization reserve, end of year	12,744,923	12,804,321	12,569,805

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 year ended March 31, 2019

	2019	2018
Accumulated remeasurement gains, beginning of year	1,073,554	1,983,240
Unrealized gain (loss) attributable to: Investments	742,951	1,324,411
Amounts reclassified to the statement of operations: Disposition of investments	3,161	(2,234,097)
Net effect of remeasurement gains (losses)	746,112	(909,686)
Accumulated remeasurement gains, end of year	1,819,666	1,073,554

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 year ended March 31, 2019

	2019	2018
Surplus for the year	234,516	419,037
Acquisition of tangible capital assets	(9,661)	(25,327)
Amortization of tangible capital assets	50,804	56,448
(Increase) decrease in prepaid expenses	(6,885)	14,284
Net effect of remeasurement gains	746,113	(909,686)
Increase (decrease) in net financial assets	1,014,888	(445,244)
Net financial assets, beginning of year	13,506,420	13,951,664
Net financial assets, end of year	14,521,308	13,506,420

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC
Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Real estate brokerage trust account income	6,654,429	5,657,604
Investment income	904,409	492,254
Payment of expenses	(1,987,836)	(1,634,286)
Payment of grants	(4,028,180)	(3,738,953)
	1,542,822	776,619
Capital		
Purchase of equipment and leaseholds	(9,661)	(25,327)
Investing		
Sale (purchase) of investments, net	(703,552)	(717,497)
	(713,213)	(742,824)
Increase in cash resources	829,609	33,795
Cash resources, beginning of year	745,304	711,509
Cash resources, end of year	1,574,913	745,304

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC

Notes to the Financial Statements

For the year ended March 31, 2019

1. Mission of the Real Estate Foundation of BC

The mission of The Real Estate Foundation of BC (the "Foundation") is to fund projects, connect people, and share knowledge to advance sustainable land use and real estate practices across British Columbia.

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

2. 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 which are part of the Canadian Generally Accepted Accounting Principles 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
Office equipment	4 years
Leasehold improvements	Over the term of the lease
Website	4 years

Investments

Investments with prices quoted in an active market are recorded at fair value. Investments without prices quoted in an active market are recorded at historical cost and assessed for impairment when conditions indicate that an impairment may have occurred.

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 up to and including \$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.

The Real Estate Foundation of BC
Notes to the Financial Statements
For the year ended March 31, 2019

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 and grant stabilization reserve 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.

In determining the need for impairment on investments that are in a non-active market, the Foundation makes judgements when monitoring changes in circumstances that would be necessary to revise the carrying value of the investment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

4. Tangible capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>	<i>2018 Net book value</i>
Computer equipment	87,813	74,318	13,495	18,691
Office equipment	141,343	137,381	3,962	3,569
Leasehold improvements	171,309	140,543	30,766	55,379
Grant software	32,234	25,652	6,582	15,093
Website	54,895	48,623	6,272	9,488
	487,594	426,517	61,077	102,220

See Schedule 1 for more details.

The Real Estate Foundation of BC
Notes to the Financial Statements
For the year ended March 31, 2019

5. Investments

	2019	2018
Fixed income securities	7,532,862	7,457,672
Common stock and equities	13,284,538	11,913,223
	20,817,399	19,370,895

6. Grants payable

	2019	2018
Balance, beginning of period	6,986,369	4,240,068
Grants authorized	5,345,670	6,585,745
Grants cancelled	(37,209)	(118,491)
Grants paid	(4,028,180)	(3,738,953)
	8,248,650	6,986,369

7. Commitments

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

2020		62,532
2021	_____	15,633
		78,165

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

8. 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.

9. 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.

10. Budget Figures

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

11. 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.

Credit concentration

Credit risk is the risk of loss arising from the failure of a counterpart to fully honor 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, 2019, the Foundation had fixed income securities with a market value of \$7,532,862 (2018 - \$7,457,672) 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, 2019, the Foundation had fixed income securities with a market value of \$7,532,862 (2018 - \$7,457,672) 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 \$6,493,979 (2018 - \$6,155,815) and investments in international equities denominated in Canadian dollars of \$4,672,342 (2018 - \$3,773,876) at March 31, 2019.

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, 2019, the Foundation had fixed income securities with a value of \$7,532,862 (2018 - \$7,457,672) and equity investments with a value of \$13,284,538 (2018 - \$11,913,223), both with market risk exposure.

The Real Estate Foundation of BC
Notes to the Financial Statements

For the year ended March 31, 2019

11. 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 Foundation for the years ended March 31, 2019 and March 31, 2018 would have increased (decreased) by \$385,439 (385,439) (2018 - \$380,612 (\$380,612)).

12. Expenses by Object

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Administrative services:			
Amortization	60,000	50,805	56,448
Governors' honorariums	61,000	43,500	43,625
Meetings, conferences and travel	198,700	173,634	141,918
Office	108,240	94,812	106,310
Professional fees	176,100	166,551	87,693
Publications and promotion	278,800	218,831	113,554
Rent	112,000	111,669	109,080
Salaries and benefits	914,942	914,112	830,340
Special projects	280,000	238,443	142,481
Telephone	16,500	16,536	13,402
	<u>2,206,282</u>	<u>2,045,748</u>	<u>1,644,851</u>
Grants:			
Approved	5,680,000	5,345,670	6,585,745
Cancelled	-	(37,209)	(118,491)
	<u>5,680,000</u>	<u>5,308,461</u>	<u>6,467,254</u>
Trust account service charges			
	<u>240,000</u>	<u>267,718</u>	<u>235,174</u>
	<u>8,126,282</u>	<u>7,621,927</u>	<u>8,347,279</u>

The Real Estate Foundation of BC
Schedule 1 - Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	Website	Leasehold Improvements	Computer equipment	Computer software	Office equipment	Totals	
						2019	2018
Cost							
Balance, beginning of year	54,895	171,309	86,016	32,234	139,273	483,727	463,729
Add:							
Additions during the year	-	-	7,592		2,070	9,661	25,327
Less:							
Disposals during the year	-	-	5,794	-	-	5,794	5,329
Balance, end of year	54,895	171,309	87,814	32,234	141,343	487,594	483,727
Accumulated amortization							
Balance, beginning of year	45,407	115,930	67,325	17,141	135,704	381,507	330,388
Add:							
Amortization	3,216	24,613	12,788	8,511	1,677	50,804	56,448
Less:							
Accumulated amortization on disposals	-	-	5,794	-	-	5,794	5,329
Balance, end of year	48,623	140,543	74,319	25,652	137,381	426,517	381,507
Net book value of tangible capital assets	6,272	30,766	13,495	6,582	3,962	61,077	102,220