The Real Estate Foundation of BC

Financial Statements

December 31, 2015

Contents

For the year ended December 31, 2015

Independent Auditors' Report

To the Members of The Real Estate Foundation of BC:

We have audited the accompanying financial statements of The Real Estate Foundation of BC, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Real Estate Foundation of BC as at December 31, 2015 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Vancouver, British Columbia

March 31, 2016

MNP LLP

Chartered Professional Accountants

The Real Estate Foundation of BC
Statement of Financial Position
As at December 31, 2015

	2015	2014
Assets		
Current		
Cash and cash equivalents	**697,767**	379,582
Accounts and accrued investment income receivable	**12,560**	15,642
Interest receivable from trust accounts	**216,246**	185,821
Prepaid expenses	**44,535**	20,734
	971,108	601,779
Equipment and leasehold improvements *(Note 3)*	**186,467**	250,057
Investments *(Note 4)*	**18,538,109**	18,796,296
	19,695,684	19,648,132
Liabilities		
Current		
Accounts payable and accruals	**120,818**	79,424
Grants payable *(Note 5)*	**5,223,952**	3,882,459
	5,344,770	3,961,883
Deferred tenant inducements *(Note 6)*	**52,024**	60,101
	5,396,794	4,021,984
Commitments *(Note 7)*		
Net Assets *(Note 8)*		
Unrestricted	-	4,226,148
Grant Stabilization Fund	-	11,400,000
Grant Stabilization Reserve	**14,298,890**	-
	14,298,890	15,626,148
	19,695,684	19,648,132

Approved on behalf of the Board

Chair

Vice Chair

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC
Statement of Operations
For the year ended December 31, 2015

	2015	*2014*
Revenue		
Real estate brokerage trust account income	**3,081,084**	2,497,899
Investment income	**1,023,221**	2,159,268
Bank income	**4,616**	3,049
	4,108,921	4,660,216
Direct expenses		
Trust account service charges	**233,168**	233,555
	3,875,753	4,426,661
Expenses		
Amortization	**73,791**	78,725
Governors' honorariums	**28,250**	25,750
Meetings, conferences and travel	**170,660**	107,569
Office	**76,856**	81,221
Professional fees	**67,922**	63,291
Publications and promotion	**114,210**	155,462
Rent	**93,471**	90,399
Salaries and benefits	**723,182**	669,142
Special projects *(Note 9)*	**133,013**	117,925
Telephone	**11,130**	12,353
	1,492,485	1,401,837
Excess of revenue over expenses before grants	**2,383,268**	3,024,824
Grants		
Approved	**(3,763,362)**	(4,068,200)
Cancelled	**52,836**	364,357
	(3,710,526)	(3,703,843)
Deficiency of revenue over expenses and grants	**(1,327,258)**	(679,019)

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC
Statement of Changes in Net Assets
For the year ended December 31, 2015

	Unrestricted	*Grant Stablization Fund*	*Grant Stablization Reserve*	*2015*	*2014*
Net assets, beginning of year	4,226,148	11,400,000	-	**15,626,148**	16,305,167
Deficiency of revenue over expenses and grants	(1,327,258)	-	-	**(1,327,258)**	(679,019)
Transfers	(2,898,890)	(11,400,000)	14,298,890	-	-
Net assets, end of year	-	-	**14,298,890**	**14,298,890**	15,626,148

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 December 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating		
Real estate brokerage trust account income	**2,817,491**	2,212,875
Investment income	**606,484**	527,568
Payment of expenses	**(1,407,689)**	(1,332,231)
Payment of grants	**(2,369,033)**	(2,610,265)
	(352,747)	(1,202,053)
Investing		
Purchase of equipment and leaseholds	**(10,201)**	(10,729)
Sale of investments, net	**681,133**	919,079
	670,932	908,350
Increase (decrease) in cash resources	**318,185**	(293,703)
Cash resources, beginning of year	**379,582**	673,285
Cash resources, end of year	**697,767**	379,582

The accompanying notes are an integral part of these financial statements

1. Mission of the Real Estate Foundation of BC

The mission of The Real Estate Foundation of BC (the "Foundation") is to transform land use attitudes and practices through innovation, stewardship and learning.

The Foundation is incorporated under The Real Estate Services Act (BC) and is not subject to income tax.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

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

Equipment and leasehold improvements

Equipment and leasehold improvements 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	3 years
Furniture and equipment	4 years
Leasehold improvements	Over the term of the lease
Website	4 years

Deferred tenant inducements

Deferred tenant inducements represents funds received from the landlord upon entering into the lease for premises. This amount is amortized over the life of the lease and credited against rent expense.

Investments

Long-term investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

Revenue recognition

The Foundation earns interest income 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 approved by the Foundation's Governors. Multi-year grant agreements are expensed upon acceptance of the initial agreement. Cancelled grants are reversed in the year they are cancelled.

In April 2013, a new grants process was approved by the Board of Governors which allows applications under $20,000 to be reviewed and awarded by the CEO. Awarded grants under this process will be expensed at the time of award and reported to the Board of Governors at the next regular quarterly meeting.

2. 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.

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

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

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

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 capital assets.

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

3. Equipment and leasehold improvements

	Cost	*Accumulated amortization*	*2015 Net book value*	*2014 Net book value*
Computer equipment	**83,661**	**73,770**	**9,891**	10,210
Office equipment	**134,995**	**92,149**	**42,846**	75,578
Leasehold improvements	**171,309**	**60,551**	**110,758**	135,371
Website	**47,020**	**24,048**	**22,972**	28,898
	436,985	**250,518**	**186,467**	250,057

4. Investments

	2015	*2014*
Fixed income securities	**10,339,065**	9,941,021
Common stock and equities	**8,199,044**	8,855,275
	18,538,109	18,796,296

5. Grants payable

	2015	*2014*
Balance, beginning of year	**3,882,459**	2,788,881
Grants approved	**3,763,362**	4,068,200
Grants cancelled	**(52,836)**	(364,357)
Grants paid	**(2,369,033)**	(2,610,265)
	5,223,952	3,882,459

6. Deferred tenant inducements

In the current year $8,077 (2014 - $6,253) was recognized and deducted against rent expense.

7. Commitments

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

2016	59,058
2017	60,795
2018	62,532
2019	62,532
2020	31,266
	276,183

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

8. Net Assets

In December 2015, the Board of Governors approved a spending policy to determine the annual grants budget. The Grants Stabilization Reserve balance is used to calculate the following year's grants budget as per the spending policy.

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. At December 31, 2015, special projects approved and not yet spent amount to $41,966 (2014 - nil). This amount will be recognized as a special projects expense when the expense has been incurred.

10. Financial instruments

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

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

Credit concentration

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

As at December 31, 2015, the Foundation had fixed income securities with a market value of $10,339,065 (2014 - $9,941,021) 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 December 31, 2015, the Foundation had fixed income securities with a market value of $10,339,065 (2014 - $9,941,021) with interest rate risk exposure.

Liquidity risk

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

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

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has investments in US equities denominated in Canadian dollars of $3,535,346 (2014 - $3,641,852) and investments in international equities denominated in Canadian dollars of $835,792 (2014 - $740,770) at December 31, 2015.

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 December 31, 2015, the Foundation had fixed income securities with a market value of $10,339,065 (2014 - $9,941,021) and equity investments with a market value of $8,199,044 (2014 - $8,855,275), both with market risk exposure.

11. Comparative figures

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