

The Real Estate Foundation of BC
Financial Statements
December 31, 2013

The Real Estate Foundation of BC
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For the year ended December 31, 2013

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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, 2013, 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, 2013 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

April 3, 2014

MNP LLP
Chartered Accountants



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The Real Estate Foundation of BC
Statement of Financial Position
As at December 31, 2013

	2013	2012
Assets		
Current		
Cash and cash equivalents	673,285	433,837
Accounts and accrued investment income receivable	17,588	23,983
Interest receivable from trust accounts	134,352	102,501
Prepaid expenses	12,440	25,017
	837,665	585,338
Investments (Note 3)	18,078,448	18,429,196
Equipment and leasehold improvements (Note 4)	316,433	35,346
	19,232,546	19,049,880
Liabilities		
Current		
Accounts payable and accruals	72,144	74,125
Grants payable (Note 5)	2,788,881	2,482,506
	2,861,025	2,556,631
Deferred tenant inducements (Note 6)	66,354	-
	2,927,379	2,556,631
Commitments (Note 7)		
Net Assets		
Invested in equipment and leasehold improvements (Note 8)	316,433	35,346
Grant stabilization fund (Note 8)	11,400,000	11,400,000
Unrestricted (Note 8)	4,588,734	5,057,903
	16,305,167	16,493,249
	19,232,546	19,049,880

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, 2013

	2013	2012
Revenue		
Real estate brokerage trust account income	2,070,204	2,030,823
Investment income	1,795,508	1,314,679
Mortgage interest	-	19,742
Bank income	3,232	10,055
	3,868,944	3,375,299
Direct expenses		
Trust account service charges	241,903	242,302
	3,627,041	3,132,997
Expenses		
Amortization	58,070	23,535
Governors' honorariums	18,250	27,000
Meetings, conferences and travel	94,821	106,116
Office	89,059	61,798
Professional fees	42,567	45,854
Publications and promotion	66,033	135,075
Rent	70,200	71,713
Salaries and benefits	614,425	586,886
Special projects	91,949	48,129
Telephone	9,523	9,365
	1,154,897	1,115,471
Excess of revenue over expenses before grants	2,472,144	2,017,526
Grants		
Approved	(2,760,925)	(2,344,845)
Cancelled	100,699	87,440
	(2,660,226)	(2,257,405)
Deficiency of revenue over expenses and grants	(188,082)	(239,879)

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, 2013

	<i>Invested in Equipment and Leaseholds</i>	<i>Grant Stabilization Fund</i>	<i>Unrestricted</i>	<i>2013</i>	<i>2012</i>
Net assets, beginning of year	35,346	11,400,000	5,057,903	16,493,249	16,733,128
Deficiency of revenue over expenses and grants	(58,070)	-	(130,012)	(188,082)	(239,879)
Purchase of equipment, net	339,157	-	(339,157)	-	-
Net assets, end of year	316,433	11,400,000	4,588,734	16,305,167	16,493,249

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, 2013

	2013	2012
Cash provided by (used for) the following activities		
Operating		
Real estate brokerage trust account income	1,796,449	1,815,389
Investment income	515,303	604,824
Payment of expenses	(1,086,971)	(1,085,243)
Payment of grants	(2,353,851)	(2,606,529)
	(1,129,070)	(1,271,559)
Financing		
Tenant inducements received	69,480	-
Investing		
Purchase of equipment and leaseholds	(339,156)	(13,272)
Sale of investments, net	1,638,194	112,823
Repayment of mortgages receivable	-	865,948
	1,299,038	965,499
Increase (decrease) in cash resources	239,448	(306,060)
Cash resources, beginning of year	433,837	739,897
Cash resources, end of year	673,285	433,837

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 December 31, 2013

1. Purpose of the Real Estate Foundation of BC

The mission of The Real Estate Foundation of BC (the "Foundation") is to support sustainable real estate and land use practices for the benefit of British Columbians.

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.

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.

The Real Estate Foundation of BC
Notes to the Financial Statements
For the year ended December 31, 2013

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 deficiency of revenues over expenses 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. Investments

	2013	2012
Fixed income securities	9,243,249	10,680,930
Common stock and equities	8,835,199	7,748,266
	18,078,448	18,429,196

4. Equipment and leasehold improvements

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Computer equipment	75,153	62,280	12,873	20,993
Office equipment	134,051	25,629	108,422	10,296
Leasehold improvements	167,712	11,980	155,732	4,057
Website	42,033	2,627	39,406	-
	418,949	102,516	316,433	35,346

The Real Estate Foundation of BC
Notes to the Financial Statements
For the year ended December 31, 2013

5. Grants payable

	2013	2012
Balance, beginning of year	2,482,506	2,831,630
Grants approved	2,760,925	2,344,845
Grants cancelled	(100,699)	(87,440)
Grants paid	(2,353,851)	(2,606,529)
	2,788,881	2,482,506

6. Deferred tenant inducements

In the current year \$5,211 (2012 - \$nil) 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:

2014	55,584
2015	57,321
2016	59,058
2017	60,795
2018	62,532
Thereafter, to 2020	93,798
	389,088

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

8. Net Assets

(a) Invested in Equipment and Leasehold Improvements

This represents the net book value of equipment and leasehold improvements acquired by the Foundation.

(b) Grant Stabilization Fund

In December 2005, the Board of Governors resolved to establish a Grant Stabilization Fund to designate the level of net assets required to maintain the Foundation's grant expenditures program. At the December 16, 2011 Governors' meeting, the fund was set at \$11,400,000.

(c) Unrestricted

Unrestricted net assets represents the balance of net assets available to fund future grants and the ongoing operations of the Foundation.

The Real Estate Foundation of BC

Notes to the Financial Statements

For the year ended December 31, 2013

9. 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 December 31, 2013, the Foundation had fixed income securities with a market value of \$9,243,249 (2012 - \$10,680,930) 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, 2013, the Foundation had fixed income securities with a market value of \$9,243,249 (2012 - \$10,680,930) 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 denominated in US dollars of \$3,485,136 at December 31, 2012 (2012 - \$2,908,103).

