The Real Estate Foundation of BC
Financial Statements
December 31, 2012

Independent Auditors' Report

MNP LLP

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, 2012, 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, 2012 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.

Comparative Information
Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that The Real Estate Foundation of BC adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2011 and January 1, 2011, and the statements of earnings, retained earnings and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Vancouver, British Columbia

April 5, 2013

MNP LLP
Chartered Accountants

The Real Estate Foundation of BC
Statement of Financial Position
As at December 31, 2012

	2012	2011	January 1 2011
Assets			
Current			
Cash and cash equivalents	**433,837**	739,897	737,058
Accounts and accrued investment income receivable	**23,983**	23,699	69,121
Interest receivable from trust accounts	**102,501**	129,369	118,013
Prepaid expenses	**25,017**	44,089	13,978
Current portion of mortgages receivable	**-**	22,361	20,854
	585,338	959,415	959,024
Investments *(Note 4)*	**18,429,196**	17,803,198	18,949,374
Mortgages receivable *(Note 5)*	**-**	843,587	865,948
Equipment and leasehold improvements *(Note 6)*	**35,346**	45,609	24,564
	19,049,880	19,651,809	20,798,910
Liabilities			
Current			
Accounts payable and accruals	**74,125**	87,051	67,629
Grants payable *(Note 7)*	**2,482,506**	2,831,630	2,554,459
	2,556,631	2,918,681	2,622,088
Commitments *(Note 8)*			
Subsequent events *(Note 9)*			
Net Assets			
Invested in equipment and leasehold improvements *(Note 10)*	**35,346**	45,609	24,564
Grant stabilization fund *(Note 10)*	**11,400,000**	11,400,000	10,000,000
Unrestricted *(Note 10)*	**5,057,903**	5,287,519	8,152,258
	16,493,249	16,733,128	18,176,822
	19,049,880	19,651,809	20,798,910

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, 2012

	2012	*2011*
Revenue		
Real estate brokerage trust account income	**2,030,823**	2,194,396
Bank income	**10,055**	4,333
Mortgage interest	**19,742**	61,416
Investment income	**1,314,679**	24,644
	3,375,299	2,284,789
Direct expenses		
Trust account service charges	**242,302**	245,082
	3,132,997	2,039,707
Expenses		
Amortization	**23,535**	13,371
Governors' honorariums	**27,000**	22,417
Meetings, conferences and travel	**106,116**	70,850
Office	**61,798**	51,878
Professional fees	**45,854**	46,905
Publications and promotion	**135,075**	81,465
Rent	**71,713**	70,881
Salaries and benefits	**586,886**	487,443
Special projects	**48,129**	79,253
Telephone	**9,365**	10,259
	1,115,471	934,722
Excess of revenue over expenses before grants	**2,017,526**	1,104,985
Grants		
Approved	**(2,344,845)**	(2,766,523)
Cancelled	**87,440**	217,844
	(2,257,405)	(2,548,679)
Deficiency of revenue over expenses	**(239,879)**	(1,443,694)

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, 2012

	Invested in Equipment and Leaseholds	*Grant Stabilization Fund*	*Unrestricted*	***2012***	*2011*
Net assets, beginning of year	**45,609**	**11,400,000**	**5,287,519**	**16,733,128**	18,176,822
Deficiency of revenue over expenses	**(23,535)**	**-**	**(216,344)**	**(239,879)**	(1,443,694)
Purchase of equipment, net	**13,272**	**-**	**(13,272)**	**-**	-
Net assets, end of year	**35,346**	**11,400,000**	**5,057,903**	**16,493,249**	16,733,128

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, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating		
Real estate brokerage trust account income	**1,815,389**	1,937,959
Investment income	**604,824**	794,948
Payment of expenses	**(1,085,243)**	(936,229)
Payment of grants	**(2,606,529)**	(2,271,509)
	(1,271,559)	(474,831)
Investing		
Purchase of equipment	**(13,272)**	(34,416)
Sale of investments, net	**112,823**	491,232
Repayment of mortgages receivable	**865,948**	20,854
	965,499	477,670
Increase (decrease) in cash resources	**(306,060)**	2,839
Cash resources, beginning of year	**739,897**	737,058
Cash resources, end of year	**433,837**	739,897

The accompanying notes are an integral part of these financial statements

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. Impact of adopting accounting standards for not-for-profit organizations

These are the Foundation's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 3. have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011, and the opening ASNPO balance sheet as at January 1, 2011 (the Foundation's date of transition to ASNPO).

The transition to ASNPO has not affected the statement of financial position, statement of operations or statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. 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

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.

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.

4. Investments

	2012	*2011*
Fixed income securities	**10,680,930**	10,301,083
Common stock and equities	**7,748,266**	7,502,115
	18,429,196	17,803,198

5. Mortgages receivable

	2012	2011
Mortgage receivable from the Vancouver Resource Society, bearing interest at 7% per annum compounded monthly, payable in monthly instalments of $5,089, secured by a second mortgage on the Vancouver Resource Society's real estate at 4242 - 4256 Fraser Street, Vancouver, BC. The loan is callable September 2012. Repaid March 27, 2012.	-	638,043
Mortgage receivable from the Vancouver Resource Society, bearing interest at 7% per annum compounded monthly, payable in monthly instalments of $1,767, secured by a second mortgage on the Vancouver Resource Society's real estate at 8628 Hudson Street, Vancouver, BC. The loan is callable October 2013. Repaid March 2012.	-	227,905
	-	865,948
Less current portion	-	(22,361)
	-	843,587

6. Equipment and leasehold improvements

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Computer equipment	**70,893**	**49,900**	**20,993**	27,984
Office equipment	**76,260**	**65,964**	**10,296**	6,390
Leasehold improvements	**50,024**	**45,967**	**4,057**	11,235
	197,177	**161,831**	**35,346**	45,609

7. Grants payable

	2012	2011
Balance, beginning of year	**2,831,630**	2,554,459
Grants approved	**2,344,845**	2,766,523
Grants cancelled	**(87,440)**	(217,844)
Grants paid	**(2,606,529)**	(2,271,508)
	2,482,506	2,831,630

8. Commitments

The Foundation has entered into a 7 year lease agreement for its office premises, expiring June 30, 2020, with estimated minimum annual payments as follows:

2013	47,603
2014	71,776
2015	74,019
2016	76,262
2017	78,505
Thereafter, to 2020	201,870
	550,035

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

9. Subsequent event

Subsequent to the date of the financial statements, the Foundation signed a lease for new office space. The lease commences July 1, 2013 and expires June 30, 2020. The Foundation also entered into an agreement to terminate its previous lease on April 30, 2013 instead of the original July 31, 2013. No early termination fees resulted from this agreement. See note 8 for information on minimum lease payments for the upcoming years.

10. Net Assets

(a) Interest in Equipment and Leaseholds

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

(b) Grant Stabilization Fund

In December 2005, the Board of Governors resolved to establish a Grant Stablization 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.

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 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, 2012, the Foundation had fixed income securities with a market value of $10,680,930 (2011 - $10,301,083) with credit risk exposure. In 2012, the credit rating of the Foundation's fixed income investments is 61% A or better and 39% BBB (2011 - 81% A or better and 19% BBB or better).

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, 2012, the Foundation had fixed income securities with a market value of $10,680,930 (2011 - $10,301,083) 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 $2,908,103 at December 31, 2012 (2011 - $1,428,533).