The Real Estate Foundation of BC
Financial Statements
March 31, 2020

Contents

For the year ended March 31, 2020

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 12, 2020

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, 2020, 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, 2020, 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 12, 2020

MNP LLP

Chartered Professional Accountants

The Real Estate Foundation of BC

Statement of Financial Position

As at March 31, 2020

	2020	2019
Financial Assets		
Cash and cash equivalents	500,133	1,574,913
Interest receivable from trust accounts	352,539	435,444
Investments ***(Note 5)***	21,283,141	20,817,399
Accrued investment interest	30,772	16,135
	22,166,585	22,843,891
Financial Liabilities		
Accounts payable and accruals	164,007	73,933
Grants payable ***(Note 6)***	8,649,749	8,248,650
	8,813,756	8,322,583
Net Financial Assets	13,352,828	14,521,308
Commitments ***(Note 7)***		
Non-Financial Assets		
Prepaid expenses	49,693	41,604
Tangible capital assets ***(Note 4, Schedule 1)***	353,942	61,077
	403,635	102,680
Accumulated Surplus	13,756,463	14,623,988
Accumulated surplus is comprised of:		
Grant stabilization reserve ***(Note 8)***	12,967,519	12,804,321
Accumulated remeasurement gains and losses	788,943	1,819,666
	13,756,462	14,623,988

Approved on behalf of the Board

Ramona Faust

Chair

R Stuart

Vice Chair

The accompanying notes are an integral part of these financial statements

The Real Estate Foundation of BC

Statement of Operations and Grant Stabilization Reserve

For the year ended March 31, 2020

	Budget 2020 (Note 10)	***2020***	***2019***
Revenues			
Real estate brokerage trust account income	9,256,300	**7,285,280**	**6,939,062**
Investment income	343,210	**415,615**	**920,543**
Realized gains (loss) on sale of investments	-	**453,126**	**(3,161)**
	9,599,510	**8,154,021**	**7,856,444**
Expenses *(Note 12)*			
Administrative services	1,896,750	**1,739,327**	**1,597,472**
Grants (net of recovery)	6,802,000	**5,765,372**	**5,308,461**
Community engagement	451,000	**186,494**	**448,276**
Trust account services charges	252,000	**299,630**	**267,718**
Total Expenses	9,401,750	**7,990,823**	**7,621,927**
Surplus for the year	197,760	**163,198**	**234,516**
Grant stabilization reserve, beginning of year	12,804,321	**12,804,321**	**12,569,805**
Grant stabilization reserve, end of year	13,002,081	**12,967,519**	**12,804,321**

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, 2020

	2020	*2019*
Accumulated remeasurement gains, beginning of year	**1,819,666**	**1,073,554**
Unrealized gain (loss) attributable to:		
Investments	**(577,598)**	**742,951**
Amounts reclassified to the statement of operations:		
Disposition (purchase) of investments	**(453,126)**	**3,161**
Net effect of remeasurement gains (losses)	**(1,030,724)**	**746,112**
Accumulated remeasurement gains, end of year	**788,943**	**1,819,666**

The accompanying notes are an integral part of these financial statements

	2020	***2019***
Surplus for the year	**163,198**	234,516
Acquisition of tangible capital assets	**(341,992)**	(9,661)
Amortization of tangible capital assets	**49,127**	50,804
Increase in prepaid expenses	**(8,089)**	(6,885)
Net effect of remeasurement gains (losses)	**(1,030,723)**	746,113
Increase (decrease) in net financial assets	**(1,168,480)**	1,014,888
Net financial assets, beginning of year	**14,521,308**	13,506,420
Net financial assets, end of year	**13,352,828**	14,521,308

	2020	*2019*
Cash provided by (used for) the following activities		
Operating		
Real estate brokerage trust account income	**7,068,555**	**6,654,429**
Investment income	**400,978**	**904,409**
Payment of expenses	**(1,794,708)**	**(1,987,836)**
Payment of grants	**(5,364,273)**	**(4,028,180)**
	310,552	**1,542,822**
Capital		
Purchase of equipment and leaseholds	**(341,992)**	**(9,661)**
Investing		
Purchase of investments, net	**(1,043,340)**	**(703,552)**
Increase (decrease) in cash resources	**(1,074,780)**	**829,609**
Cash resources, beginning of year	**1,574,913**	**745,304**
Cash resources, end of year	**500,133**	**1,574,913**

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 in 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.

Loans receivable

Loans receivable are initially recorded at fair value and subsequently measured at their amortized cost less impairment. Loans are 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.

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.

Financial asset impairment

In determining the need for impairment on investments and loans receivable 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.

Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments; etc. in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

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

	Cost	*Accumulated amortization*	*2020 Net book value*	*2019 Net book value*
Computer equipment	**75,411**	**36,301**	**39,110**	13,495
Office equipment	**147,643**	**138,886**	**8,757**	3,962
Leasehold improvements	**465,071**	**165,155**	**299,916**	30,766
Grant software	**35,603**	**33,217**	**2,386**	6,582
Website	**54,895**	**51,122**	**3,773**	6,272
	778,623	**424,681**	**353,942**	61,077

See Schedule 1 for more details.

5. Investments and loans receivable

	2020	*2019*
Common stock and equities, at fair value	**13,227,675**	13,274,673
Fixed income securities, at fair value	**7,814,303**	7,182,862
Loans receivable, at cost	**350,000**	350,000
Other, at cost	**241,163**	9,864
	21,283,141	20,817,399

6. Grants payable

	2020	*2019*
Balance, beginning of period	**8,248,650**	6,968,369
Grants authorized	**5,887,099**	5,345,670
Grants cancelled	**(121,727)**	(37,209)
Grants paid	**(5,364,273)**	(4,028,180)
	8,649,749	8,248,650

7. Commitments

The Foundation has a lease agreement for its office premises, expiring May 31, 2030, with estimated minimum annual payments as follows:

2021	98,050
2022	105,154
2023	109,891
2024	110,838
2025	117,943
Thereafter	667,870
	1,209,746

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, 2020, the Foundation had fixed income securities with a market value of $7,845,075 (2019 - $7,532,862) with credit risk exposure.

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

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, 2020, the Foundation had fixed income securities with a market value of $7,845,075 (2019 - $7,532,862) 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 $6,197,051 (2019 - $6,493,979) and investments in international equities denominated in Canadian dollars of $4,802,988 (2019 - $4,672,342) at March 31, 2020.

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, 2020, the Foundation had fixed income securities with a value of $7,845,075 (2019 - $7,532,862) and equity investments with a value of $13,468,838 (2019 - $13,284,538), both with market risk exposure.

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, 2020 and March 31, 2019 would have increased (decreased) by $400,373 ($400,373) (2019 - $385,439 ($385,439)).

12. Expenses by Object

	Budget	*2020*	*2019*
Administrative services:			
Amortization	60,000	48,355	50,805
Governors' honorariums	47,000	50,500	43,500
Meetings, conferences and travel	194,500	167,787	173,634
Office and telephone	141,800	128,670	111,348
Professional fees	280,050	178,507	166,551
Publications and promotion	119,500	31,719	25,853
Rent	115,000	113,433	111,669
Salaries and benefits	938,900	1,020,357	914,112
	1,896,750	1,739,327	1,597,472
Grants:			
Approved	6,802,000	5,887,099	5,345,670
Cancelled	-	(121,727)	(37,209)
	6,802,000	5,765,372	5,308,461
Community engagement	451,000	186,494	448,276
Trust account service charges	252,000	299,630	267,718
	9,401,750	7,990,823	7,621,927

13. Comparative Figures

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

14. Subsequent Events

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Foundation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

The Foundation anticipates that real estate brokerage trust account income will decrease significantly for a period of time and that, correspondingly, grants will also be reduced.

The Real Estate Foundation of BC

Schedule 1 - Schedule of Tangible Capital Assets

For the year ended March 31, 2020

	Website	Leasehold Improvements	Computer equipment	Computer software	Office equipment	Totals 2020	Totals 2019
Cost							
Balance, beginning of year	54,895	171,309	87,813	32,234	141,343	**487,593**	483,727
Add:							
Additions during the year	-	293,762	38,561	3,369	6,300	**341,992**	9,661
Less:							
Disposals during the year	-	-	50,963	-	-	**50,963**	5,794
Balance, end of year	**54,895**	**465,071**	**75,411**	**35,603**	**147,643**	**778,624**	487,594
Accumulated amortization							
Balance, beginning of year	48,623	140,543	74,318	25,652	137,381	**426,516**	381,507
Add:							
Amortization	2,499	24,612	12,946	7,565	1,504	**49,127**	50,804
Less:							
Accumulated amortization on disposals	-	-	50,963	-	-	**50,963**	5,794
Balance, end of year	**51,122**	**165,155**	**36,301**	**33,217**	**138,885**	**424,681**	426,517
Net book value of tangible capital assets	**3,773**	**299,916**	**39,110**	**2,386**	**8,757**	**353,942**	61,077