Fraser Valley Real Estate Board

Non-consolidated financial statements
December 31, 2022

Building a better working world

Independent auditor's report

To the Members of
Fraser Valley Real Estate Board

Report on the audit of the non-consolidated financial statements

Opinion

We have audited the non-consolidated financial statements of **Fraser Valley Real Estate Board** [the "Board"] which comprise the non-consolidated statement of financial position as at December 31, 2022, and the non-consolidated statement of changes in net assets, non-consolidated statement of operations and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Board as at December 31, 2022 and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 non-consolidated financial statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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.

Other information

Management is responsible for the other information. The other information comprises the information, other than the non-consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information identified above, and in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Board'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 Board'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 non-consolidated 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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Report on other legal and regulatory requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of preceding year.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
March 20, 2023

Fraser Valley Real Estate Board

Non-consolidated statement of financial position

As at December 31

	2022	2021
	$	$
Assets		
Current		
Cash	**1,838,081**	1,234,271
Short-term investments *[note 4]*	**—**	5,400,000
Accounts receivable	**882,433**	624,523
Inventory supplies	**59,396**	57,263
Prepaid expenses	**324,503**	180,355
Total current assets	**3,104,413**	7,496,412
Loan receivable *[note 3]*	**—**	116,172
Investments *[note 4]*	**9,142,822**	3,985,900
Intangible assets, net *[note 5]*	**17,743**	65,338
Property and equipment, net *[note 6]*	**3,342,639**	3,435,438
	15,607,617	15,099,260
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities *[note 7]*	**1,270,706**	1,349,064
Unearned revenue	**71,907**	82,782
Total current liabilities	**1,342,613**	1,431,846
Commitments *[note 8]*		
Net assets		
Unrestricted	**5,251,338**	4,654,018
Internally restricted	**9,013,666**	9,013,396
Total net assets	**14,265,004**	13,667,414
	15,607,617	15,099,260

See accompanying notes

On behalf of the Board:

Director

Director

Fraser Valley Real Estate Board

Non-consolidated statement of changes in net assets

		Internally restricted					
	Unrestricted	Operational reserve	Technology change reserve	Fees and dues reserve	Members' Benevolent Fund	Total internally restricted	Total net assets
	$	$	$	$	$	$	$
Balance, December 31, 2020	4,078,972	4,000,000	1,500,000	2,000,000	12,824	7,512,824	11,591,796
Excess of revenue over expenses for the year	2,075,046	—	—	—	—	—	2,075,046
Benevolent support	—	—	—	—	572	572	572
Transfer to Technology change reserve	(1,500,000)	—	1,500,000	—	—	1,500,000	—
Balance, December 31, 2021	4,654,018	4,000,000	3,000,000	2,000,000	13,396	9,013,396	13,667,414
Excess of revenue over expenses for the year	**597,320**	**—**	**—**	**—**	**—**	**—**	**597,320**
Benevolent support	**—**	**—**	**—**	**—**	**270**	**270**	**270**
Balance, December 31, 2022	**5,251,338**	**4,000,000**	**3,000,000**	**2,000,000**	**13,666**	**9,013,666**	**14,265,004**

See accompanying notes

Fraser Valley Real Estate Board

Non-consolidated statement of operations

Year ended December 31

	2022	2021
	$	$
Revenue		
Fraser Valley Real Estate Board dues and fees	**4,595,340**	3,976,438
British Columbia Real Estate Association ["BCREA"] dues	**666,876**	573,072
Canadian Real Estate Association ["CREA"] dues	**1,437,531**	1,233,627
Multiple Listing Service fees and charges	**4,411,281**	5,322,730
Listing fees	**645,871**	766,640
Education seminar fees	**641,964**	527,365
Other income	**152,170**	155,814
Brokers discount for early payment	**(529,195)**	(549,108)
	12,021,838	12,006,578
Expenses		
Organization costs – external		
BCREA assessments	**666,876**	573,072
CREA assessments	**1,437,531**	1,233,627
Organization costs – internal	**760,550**	806,151
Donations, sponsorships and grants	**60,289**	318,029
Education seminars *[note 9]*	**368,990**	414,546
Legal, audit and professional	**357,778**	529,804
Salaries and benefits *[note 9]*	**4,677,143**	3,931,444
Administration overhead	**2,260,225**	1,851,928
Fixed overhead *[note 9]*	**683,454**	580,517
	11,272,836	10,239,118
Excess of revenue over expenses before other items	**749,002**	1,767,460
Realized and unrealized (loss) gain on investments	**(354,440)**	221,291
Investment income	**202,758**	86,295
Excess of revenue over expenses for the year	**597,320**	2,075,046

See accompanying notes

Fraser Valley Real Estate Board

Non-consolidated statement of cash flows

Year ended December 31

	2022	2021
	$	$
Operating activities		
Excess of revenue over expenses for the year	**597,320**	2,075,046
Add (deduct) items not involving cash		
Amortization of property and equipment	**161,604**	162,780
Amortization of intangible assets	**60,852**	54,887
Realized and unrealized loss (gain) on investments	**354,440**	(221,291)
	1,174,216	2,071,422
Changes in non-cash working capital		
Accounts receivable	**(257,910)**	116,621
Inventory supplies	**(2,133)**	6,074
Prepaid expenses	**(144,148)**	(11,950)
Accounts payable and accrued liabilities	**(78,358)**	617,609
Unearned revenue	**(10,875)**	20,522
Cash provided by operating activities	**680,792**	2,820,298
Investing activities		
Purchase of short-term investments	**—**	(2,400,001)
Proceeds from short-term investments	**5,400,000**	—
Repayment of loan receivable	**116,172**	—
Proceeds from sale of investments	**5,539,879**	77,447
Purchase of investments	**(11,051,240)**	(2,176,471)
Purchase of intangible assets	**(13,257)**	(13,800)
Purchase of property and equipment	**(68,805)**	(136,359)
Members' Benevolent Fund	**270**	572
Cash used in investing activities	**(76,982)**	(4,648,612)
Net increase (decrease) in cash during the year	**603,810**	(1,828,314)
Cash, beginning of year	**1,234,271**	3,062,585
Cash, end of year	**1,838,081**	1,234,271
Supplemental cash flow information		
Interest received during the year	**202,758**	86,355

See accompanying notes

Fraser Valley Real Estate Board

Notes to non-consolidated financial statements

December 31, 2022

1. Purpose of organization

The Fraser Valley Real Estate Board [the "Board"] is a non-profit society which represents the business and professional interests of its members. The Board is incorporated under the *Societies Act* (British Columbia), as a member-funded society and is a non-profit organization under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes. In the event of the winding up or dissolution of the Board, the distribution of the assets, to the extent they are not utilized to absorb ongoing expenses, shall be made to other non-profit societies as designated by the members. The Board exercises control over the Fraser Valley REALTORS Charitable Foundation [the "Foundation"], an entity established to benefit Fraser Valley communities.

2. Summary of significant accounting policies

Accounting standards

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ["ASNPO"]. ASNPO requires entities to select policies appropriate for their circumstances from choices provided in specific standards. Following are details of the choices selected by the Board and applied in these non-consolidated financial statements.

Controlled not-for-profit organization

The financial statements of the Board are presented on a non-consolidated basis and do not include the assets, liabilities, net assets and results of operations of the Foundation as summarized in note 3. The Foundation is controlled by the Board as the Board of Directors are the voting members of the Foundation and they elect the directors of the Foundation. The Board has no economic interest in the Foundation other than having provided a loan to the Foundation to fund management and administrative services incurred by the Foundation *[note 3]*.

The Foundation is incorporated under the *Societies Act* (British Columbia) and is registered under the *Income Tax Act* (Canada) as a charitable organization. The Foundation has been established to support activities of qualified donees whose activities benefit Fraser Valley communities.

Internally restricted net assets

The Board maintains internally restricted net assets that have been designated for specific purposes. Transfers to and from the internally restricted designations are approved by the Board's directors.

[i] Operational reserve provides resources to support the Board's ability to continue as a going concern.
[ii] Technology change reserve provides resources to enable the Board to adopt new and effective technologies in support of its members.
[iii] Fees and dues reserve provides resources available to the Board to assist with stabilizing fees and dues.
[iv] Members' Benevolent Fund provides resources to support those Board members in times of critical financial need.

Cash

Cash consists of cash on deposit with banks and, if applicable, highly liquid short-term interest bearing securities with maturities at their purchase date of three months or less.

Fraser Valley Real Estate Board

Notes to non-consolidated financial statements

December 31, 2022

Intangible assets

Computer software is recorded at cost less accumulated amortization and impairment provisions, if any. Amortization is provided on a straight-line basis over three years.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and impairment provisions, if any. Amortization is provided on a straight-line basis over the estimated useful life as follows:

Building and improvements	30 to 60 years
Parking lot improvements	25 years
Furniture and equipment	10 years
Computer hardware	3 years

Impairment of property and equipment and intangible assets

When conditions indicate that an item of property and equipment or an intangible asset no longer contributes to the Board's ability to provide goods and services, or that the value of the future economic benefits or service potential associated with the item of property and equipment or intangible asset is less than its net carrying amount, the item of property and equipment or intangible asset is written down to its fair value or replacement cost. The write-down is recognized as an expense in the non-consolidated statement of operations. Write-downs are not reversed.

Inventory supplies

Inventory supplies are recognized at the lower of cost, determined using the first-in first-out method, or net realizable value.

Revenue recognition

The Board's revenues are derived from its real estate related services. In general, revenue is recognized when all the following criteria are met:

[i] persuasive evidence of an arrangement exists;
[ii] the fee is fixed or determinable;
[iii] delivery of the service has occurred; and
[iv] collectability is probable.

Revenue from membership dues and fees is recognized monthly as it is earned. MLS fees and charges are recognized as revenue at the adjustment date specified on the contract of purchase and sale. Revenues from listing fees are recognized upon processing of the listing. Education seminar fees are recognized as revenue upon delivery of the seminar. Other income is recognized in the period in which the related service is provided.

The Board follows the deferral method of accounting for contributions. Contributions are non-reciprocal transfers to the Board of cash or other assets or a non-reciprocal settlement or cancellation of its liabilities. Government funding provided to the Board is considered to be a contribution. Externally restricted contributions for which the related restriction is unfulfilled at the non-consolidated statement of financial position date, as well as contributions for expenses of one or more future periods, are deferred and recognized as revenue in the same period or periods in which the restriction is fulfilled or the related expenses are recognized.

Financial instruments

The Board's financial instruments consist of cash, accounts receivable, investments and accounts payable and accrued liabilities.

Financial instruments are initially measured at fair value.

Transaction costs are recognized as expenses in the period incurred. However, financial instruments that are not subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance, or assumption.

Financial instruments are subsequently measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are subsequently measured at fair value and investments in mortgage investment corporations, which are subsequently measured at cost less impairment, if any.

For financial assets measured using the amortized cost method where there is an indication of impairment such as a significant adverse change in the expected timing or amount of future cash flows from the financial assets, the carrying amounts of the financial assets are reduced. The amount of reduction is recognized as an impairment loss in the non-consolidated statement of operations. When the extent of the impairment of a previously written-down asset decreases and the decrease is related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement. The amount of the reversal is recognized in the non-consolidated statement of operations in the period the reversal occurs.

Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are recorded in the financial statements in equivalent Canadian dollars at the rate of exchange prevailing as at the statement of financial position date and non-monetary items at exchange rates prevailing at the transaction dates.

Use of estimates

The preparation of these non-consolidated financial statements requires management to apply judgment and make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes. Actual results could be materially different from the estimates.

Notes to non-consolidated financial statements

Allocation of expenses

The Board engages in training and education programs. The cost of each program includes the costs of personnel and premises that are directly related to providing the programs. The Board allocates these expenses on a prescribed basis as determined by management, primarily based on time spent, and applies that consistently each year.

3. Fraser Valley REALTORS Charitable Foundation

	2022	**2021**
	$	$
Total assets	**8,096,302**	104,345
Total liabilities	**7,158**	505,126
Net asset (deficit)	**8,089,144**	(400,781)
Revenue	**9,532,860**	—
Expenses	**1,042,934**	(119,799)
Cash flows provided by (used in)		
Operating activities	**8,880,517**	(45)
Investing activities	**(8,854,293)**	—
Financing activities	**—**	—

During the year ended December 31, 2022, the Foundation repaid the loan of $116,172 to the Board. The loan was unsecured, earned interest at 5% per annum, and was repayable within 180 days of demand. The Board waived the interest on this loan.

4. Investments

Short-term investments comprised guaranteed investment certificates earning interest at a weighted average rate of 0.52% per annuum and matured at various dates between March and December 2022.

Investments in fixed income investments and equities are managed by a third-party investment manager in a mixture of directly held and pooled investments.

Fraser Valley Real Estate Board

Notes to non-consolidated financial statements

December 31, 2022

Investments in mortgage investment corporations ["MIC"] are made through purchases of preferred shares in each MIC. Shareholder funds in each MIC are pooled and invested in residential and commercial mortgage investments in Canada.

	2022 $	2021 $
Guaranteed investment certificate	**—**	2,000,221
Fixed income investments	**2,691,162**	233,631
Equities		
Canadian	**2,144,724**	984,953
United States	**1,949,650**	484,373
Other	**19,865**	—
Mortgage investment corporations		
Antrim Balanced Mortgage Fund	**1,022,301**	135,632
VWR Capital Corp.	**1,026,351**	147,090
AP Capital Mortgage Investment Corporation	**288,769**	—
	9,142,822	3,985,900

5. Intangible assets

	2022			2021
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer software	**1,298,665**	**1,280,922**	**17,743**	65,338

During the year ended December 31, 2022, the Board incurred amortization expense of $60,852 [2021 – $54,887] related to the computer software.

6. Property and equipment

	2022			2021
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Land	**1,208,984**	**—**	**1,208,984**	1,208,984
Building and improvements	**4,696,296**	**2,632,107**	**2,064,189**	2,134,941
Parking lot improvements	**212,779**	**212,779**	**—**	—
Furniture and equipment	**1,728,348**	**1,705,004**	**23,344**	22,560
Computer hardware	**2,095,764**	**2,049,642**	**46,122**	68,953
	9,942,171	**6,599,532**	**3,342,639**	3,435,438

During the year ended December 31, 2022, the Board incurred $161,604 [2021 – $162,780] of amortization expense related to property and equipment.

7. Accounts payable and accrued liabilities

	2022	**2021**
	$	$
Accounts payable and accrued liabilities	**1,360,239**	1,325,385
Government remittances	**20,717**	23,679
	1,380,956	1,349,064

Government remittances consist of sales tax required to be paid to government authorities and are recognized when the amounts become due.

8. Commitments

The Board is committed to certain maintenance and service contracts through 2027. The estimated annual aggregate payments for these contracts in each of the next five years and thereafter are:

	$
2023	882,353
2024	122,393
2025	9,982
2026	5,892
2027 and thereafter	613
	1,021,233

9. Allocation of expenses

Salaries and benefits expenses reported in the non-consolidated statement of operations of $4,677,143 [2021 – $3,931,444] are reported after allocation of $151,736 [2021 – $123,100] to education seminar expenses representing the cost of employee wages directly attributable to organizing and hosting education seminars.

Fixed overhead expenses of $76,803 [2021 – $62,310] have been allocated to education seminar expenses representing the cost of space used for organizing and hosting education seminars.

10. Financial instruments

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Certain of the Board’s cash earns interest at bank deposit rates and the Board has investments in fixed income securities. The Board does not use derivative financial instruments to manage the effects of this risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board is exposed to credit risk in connection with its cash and accounts receivable and loan receivable. The Board mitigates its credit risk with respect to cash by dealing with a Canadian financial institution with no publicly known liquidity problems, and with respect to accounts receivable and loan receivable by dealing only with what management believes to be financially sound counterparties.

Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to liquidity risk with respect to its accounts payable and accrued liabilities.

Currency risk

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 Board has investments denominated in US dollars [approximately US$1,439,000 [2021 – US$387,000]], and thus the Board is exposed to the risk of fluctuations in earnings and cash flows arising from changes in the exchange rate between the Canadian dollar and the US dollar and the degree of volatility in that rate.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Board is exposed to other price risk from investments held by the Board for which future prices are uncertain. The Board manages price risk by allocating its investments across different types of investments and underlying industries.