



Real Estate
Council of Ontario

The background of the cover features a woman's face in the upper left, which is semi-transparent and overlaid with a grid pattern. Below her face is a large, multi-story brick building with many windows and balconies, also overlaid with a grid pattern. The entire scene is set against a grey, textured background that looks like concrete or stone.

2019 ANNUAL REPORT

Corporate Profile

The Real Estate Council of Ontario (RECO) was established in 1997 and is responsible for regulating Ontario's real estate brokerages, brokers and salespersons in the public interest.

Values

The Real Estate Council of Ontario is dedicated to organizational behaviour guided by the following values:

Fairness: Act impartially and equitably

Accountability: Administer the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) competently in accordance with the law

Integrity: Be truthful and trustworthy

Respect: Treat all with courtesy

RECO's corporate values are currently under review to ensure they are consistent with the Strategic Plan and RECO's goal to become a more modern regulator.

Vision

A real estate marketplace in Ontario where buyers and sellers are well-informed and protected, and where transactions are conducted fairly.

Mission

Supporting a fair, safe and informed real estate market for consumers in Ontario through effective and innovative regulation of the services offered by those who trade in real estate.

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Governance

Strategic Plan

Guided by the Vision and Mission, RECO's Board of Directors has established three strategic goals that are both focused and ambitious; goals that will steer our evolution to being a more modern regulator.

These goals are the aspirational priorities that the Board has given to RECO's management and staff. How we will achieve these goals over the next five years will be determined by RECO's employees, and outlined in our annual business plan and operational work plans.

MODERN REGULATION FOR A DYNAMIC MARKETPLACE

STRATEGIC PLAN
2019-2023



» ***Strategic Goal #1: Deliver Innovative, Progressive Regulation***

» ***Strategic Goal #2: Support an Informed Real Estate Market in Ontario***

» ***Strategic Goal #3: Create a Resilient Organization***

STRATEGIC PLAN TIMELINE

Development
of our five-year
Strategic Plan

Year one of
implementation

Completion
of our five-year
Strategic Plan

2018

2019

2020

2021

2022

2023

The following Board policies were approved in 2019

- Policy on Appointment of the Chair and Vice-Chair
- Policy on Board Governance
- Policy on Board, Committee and Other Assessments
- Policy on CEO Performance Evaluation
- Policy on Committees of the Board of Directors
- Policy on Corporate Compliance
- Policy on Corporate Policy (Board of Directors)
- Policy on Delegation of Authorities
- Policy on Director Orientation and Development
- Policy on Enterprise Risk & Innovation Management (ER&IM)

- Policy on Organizational Planning and Performance
- Statement of Investment Policy

By-Law Amended

- By-Law No 1. was amended at the AGM in 2019.

The bylaw amendment removed ambiguity and provided clarity on the powers of the Board to delegate operational authority to the CEO, essential to allowing the Board to focus more properly on matters of strategic importance. New and revised policies were completed to strengthen the Board's internal governance and formalize many aspects of its continuing responsibility to oversee the work of management.



Logan Atkinson (General Counsel & Corporate Secretary), Michael Beard (CEO),
Glenda Brindle (Chair), Joseph Richer (Registrar), Brenda Buchanan (COO)

CHAIR'S MESSAGE

Glenda Brindle



It's hard to believe, but the real estate industry is changing faster than it ever has before.

Change is being driven not only by technological advances, and greater scrutiny of the market and real estate regulation, but also by evolving consumer expectations for greater transparency, accountability and levels of service.

It's important for RECO to go beyond simply responding to this change, by anticipating it, and, when appropriate, driving it.

Planning for the future

I'm happy to say that 2019 is the first year RECO is reporting on its five-year Strategic Plan, *Modern Regulation for a Dynamic Marketplace*. The plan is RECO's roadmap, guiding our evolution towards being a more modern regulator. It enhances RECO's commitment to be a progressive regulator and it allows flexibility to adapt to environmental factors in order to evolve.

To evolve as required, it is important to engage in a broad-based discussion on the future of RECO. RECO's Registrant Survey guarantees that the industry is part of that conversation. The survey is conducted every two years, and is a valuable tool for evaluating RECO's efforts in meeting the needs of registrants, as well as the effectiveness of the organization's programs and activities. In 2019, 71 per cent of respondents indicated that they were satisfied with RECO. Further, 64 per cent of registrants felt their voice was being heard, an improvement compared to the 57 per cent in 2017.

It's important for RECO to go beyond simply responding to this change by anticipating it, and, when appropriate, driving it.

Fostering confidence and upholding integrity

I believe that registrants are motivated to put consumers first—that's what keeps them in the profession. As the industry changes and evolves, the protection of buyers and sellers must remain paramount. Registrants play an important role, as they are front and centre guiding consumers through one of their most important financial transactions.

This year, RECO launched the new Real Estate Salesperson Program. RECO's vision for the program is clear: it will enable new registrants to meet the demands of tomorrow by having the knowledge and skills they need to be more practice ready on day one. This program will help to enhance public confidence in the profession and help the industry meet the ever-evolving needs of consumers.

Strengthening consumer protection and professionalism

In 2019, the Government of Ontario introduced Bill 145, *Trust in Real Estate Services Act, 2020* (TRESA).

RECO, the Ministry of Government and Consumer Services and stakeholders worked collaboratively, keeping consumer needs and industry wants top-of-mind during the consultation and development of this important piece of legislation.

This new legislation reflects the rapidly changing marketplace and will better safeguard consumers when making their most important financial transaction.

It will also provide additional clarity for registrants around their roles and responsibilities to both buyers and sellers.

Recognizing excellence

During my time as Chair, I have witnessed the hard work and dedication of RECO staff at all levels, which are essential in maintaining RECO's position as a leader in real estate regulation.

I would also like to offer my sincere appreciation to the Board of Directors for their support during my time as Chair. I am proud of everything we have been able to achieve in the past year, and with the 2019-2023 Strategic Plan as a guide, I am confident that RECO will continue to be dedicated to its core purpose of fostering confidence and upholding integrity in real estate transactions.

Please read on to learn more about RECO's achievements during 2019.

CEO'S MESSAGE

Michael Beard



As CEO, I'm proud to present RECO's 2019 Annual Report that summarizes a year of solid progress, innovative change, several challenges and many accomplishments.

I am humbled to be leading RECO through these changing times, made much easier by a supportive and dedicated Board; I also have the utmost admiration for our staff who have remained committed and passionate as RECO continues to serve the real estate industry in Ontario, in the public interest and on behalf of the Government of Ontario.

Our mission at RECO is to support a fair, safe and informed real estate market for consumers in Ontario, which is a responsibility that every employee takes seriously. This year we launched a new education system for Ontarians wishing to start a career in real estate. We also started the journey towards enhancing regulations for the betterment of all real estate stakeholders in Ontario, and we look forward to working with the government and those in organized real estate and regulated groups to bring updated regulations to market. We reviewed and revised many of our processes so that we could deliver our mandated services more efficiently and effectively, and we achieved our service-level targets. We have been in close contact with industry professionals, both learning and sharing what changes we can anticipate. We have exciting times ahead of us!

Working together

Responding to today's challenges and tomorrow's opportunities requires an approach that provides clear information and guidance to both registrants and consumers. When both groups are supplied with reliable knowledge and resources, consumers and registrants can work together to maintain the integrity of each and every real estate transaction in Ontario. This nurtures a marketplace in which buyers and sellers are well-informed and protected, and transactions are conducted fairly.

Strong governance, strategic focus and effective leadership remain at the forefront of RECO's bold approach to modern regulation and consumer protection.

Innovation

Innovation in RECO's day-to-day operations is pivotal to achieving modern regulation. We must continue to put forward programs and initiatives grounded in purposeful innovation that advance modern regulation. Additionally, we need to reduce administrative burden for salespersons, brokers and brokerages, and we also need to help consumers make informed decisions in a landscape that is increasingly data-driven.

Building momentum

Our good momentum can be seen in the following pages, which provide a snapshot of the progress we have made in meeting our short-term objectives and long-term goals. By introducing new technology into our disciplinary processes, marking milestone achievements in registrant education, and raising awareness of our regulatory role and the services we provide, we have demonstrated that we thrive by working together with consumers, industry partners, and government to implement long-lasting, sustainable change.

Passion and commitment

Strong governance, strategic focus and effective leadership remain at the forefront of RECO's bold approach to modern regulation and consumer protection. Our ongoing focus in these areas continues to successfully serve our government mandate.

We are extremely fortunate to have a Board of Directors that is highly engaged, very experienced and extremely supportive of the principle of modern regulation and all it entails. Thank you to the Board for their oversight and counsel throughout year one of RECO's Strategic Plan.

I am also very thankful for the many engaging and insightful exchanges that I have had with registrants and other industry stakeholders across Ontario. These conversations have sparked improvements and new initiatives. RECO's executive team champions access to leadership through our open-door policy and our ongoing presence at public and industry events. I look forward to many more discussions in the year ahead.

Moving forward

The milestones of 2019 inspire us to continue to bring RECO's Vision, Mission and Strategic Goals to life in our everyday work and prepare us for marketplace changes on the horizon.

Today, I am more confident than ever that we have the right strategy and tactics, and, most importantly, the right team in place to execute our vision through the 2019-2023 Strategic Plan and beyond.

REGISTRAR'S MESSAGE

Joseph Richer



Transparency.
Accountability.
Elevated professional
standards. Data-driven
decision-making.

These are the traits that define the modern regulator, and areas in which RECO strives to be a leader. The 2019-2023 Strategic Plan lays the groundwork for this continual modernization.

In 2019, RECO started to execute on these goals, and I am pleased to note some critical initiatives that have set us up for ongoing success.

Modernized legislation

For any regulated profession, accountability to well-defined rules is paramount to maintaining public protection and trust in the profession. Fortunately, the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) provides a strong framework for ethical conduct by Ontario's real estate brokerages, brokers and salespeople.

This year, the Government of Ontario announced legislative changes to REBBA 2002 through Bill 145, *Trust in Real Estate Services Act, 2020* (TRESA), which will enable enhancements to consumer protection and professionalism in the province's real estate marketplace. RECO worked closely with the government during TRESA development by submitting recommendations and meeting with them on a regular basis to discuss possible reforms. Throughout, RECO's approach has been to enhance consumer protection, while balancing the administrative burden on registrants. RECO looks forward to engaging in future consultations around the development of regulations to enable the amendments made to the act.

There is much to be excited about in the legislative reforms. In particular, I look forward to changes that will clarify the relationship between consumers and registrants, eliminating the confusion of "customer vs. client." At RECO, we see the consumer confusion caused by this distinction day-after-day, and we welcome the additional clarity that TRESA changes will bring for consumers and registrants alike.

There will also be key updates to RECO's regulatory powers. Administrative penalties will allow RECO to levy fines in certain clear-cut circumstances. Such fines would be limited in their use and would be used judiciously. In addition, the revised law will provide RECO's Discipline Committee the power to suspend or revoke registrations or to impose conditions, where appropriate to do so. As a result, the committee will be able to administer a broad range of penalties to sanction a wide variety of misconduct. In particular, the committee will have a range of options for dealing

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with the worst offences. We anticipate key updates to RECO's regulatory powers, including administrative penalties, which would allow RECO to levy fines in certain clear-cut circumstances.

There are far too many important TRESA changes to note all of them here. For more information about TRESA, please see RECO's website.

Forward-looking education programs

At RECO, we strongly believe that encouraging and promoting compliance is much better than addressing misconduct after the fact. After all, consumers want things done right in the first place. That's one reason that pre-registration education is so important—it gives new registrants the skills and knowledge to serve their clients and comply with their obligations. This year, pre-registration education took a big step forward with the launch of the Real Estate Salesperson Program at Humber College.

The first set of learners are already working their way through the program, with the first graduates set to register with RECO in the first quarter of 2020. Thanks to the program's in-person simulation sessions, graduates will have more confidence and be better prepared to begin trading at the outset of their careers. That's a benefit for new registrants, the brokerages that employ them, the consumers they represent, and the industry as a whole.

RECO's Mandatory Continuing Education (MCE) program is equally important, because it supports existing registrants' knowledge as the marketplace

evolves. Since the launch of the program in 2013, RECO has continued to enhance it by making it more flexible to varying levels of experience, improving the technology, and adding new elective courses. In 2019, RECO added two new elective courses. With 14 elective courses now available, registrants have a suite of topics from which to choose. RECO also introduced new commercial and residential update courses this year. All registrants must take one of the courses during their two-year registration cycle.

Raising the bar, together

At a time when technology is transforming the business of real estate, it's important that each registrant elevates their conduct and provides a strong "value-add" to their clients. As more and more data is at consumers' fingertips, registrants have an opportunity to provide expert guidance, thereby helping their clients understand the information and make informed decisions.

Together, TRESA and the Real Estate Salesperson Education Program will help elevate the level of conduct to better meet increasing consumer expectations, industry-wide.

I encourage brokers and salespeople across Ontario to stay engaged, elevate their conduct and embody the expectations of a professional. At the same time, RECO will continue to modernize and implement leading practices, guided by our Strategic Plan. Together, we can build a better, stronger real estate profession and nurture consumer trust, province-wide.

By the Numbers

RECO is committed to administering the law in the public interest, enhancing consumer confidence in the real estate profession, and raising professional standards. We work to fulfill this goal through the regulation of the more than 90,000 registrants in Ontario.

The Government of Ontario sets the rules that real estate salespersons, brokers and brokerages must follow in the *Real Estate and Business Brokers Act, 2002* (REBBA 2002). On behalf of the provincial government, RECO enforces that law and its associated regulations, which include a Code of Ethics.



RECO WORKS IN THE PUBLIC INTEREST BY:

- Assessing applicant eligibility to obtain and maintain **REGISTRATION** as a brokerage, broker or salesperson;
- Establishing **EDUCATION** standards for registration, articling, broker and continuing education;
- Conducting **INSPECTIONS** of brokerages to ensure compliance with REBBA 2002 and to educate Brokers of Record;
- Addressing **INQUIRIES, CONCERNS** and **COMPLAINTS** about the conduct of registrants and taking appropriate action;
- Administering **INSURANCE** requirements, which include consumer deposit protection; and,
- Being the source of **CONSUMER PROTECTION** education and information for buyers and sellers involved in real estate transactions.



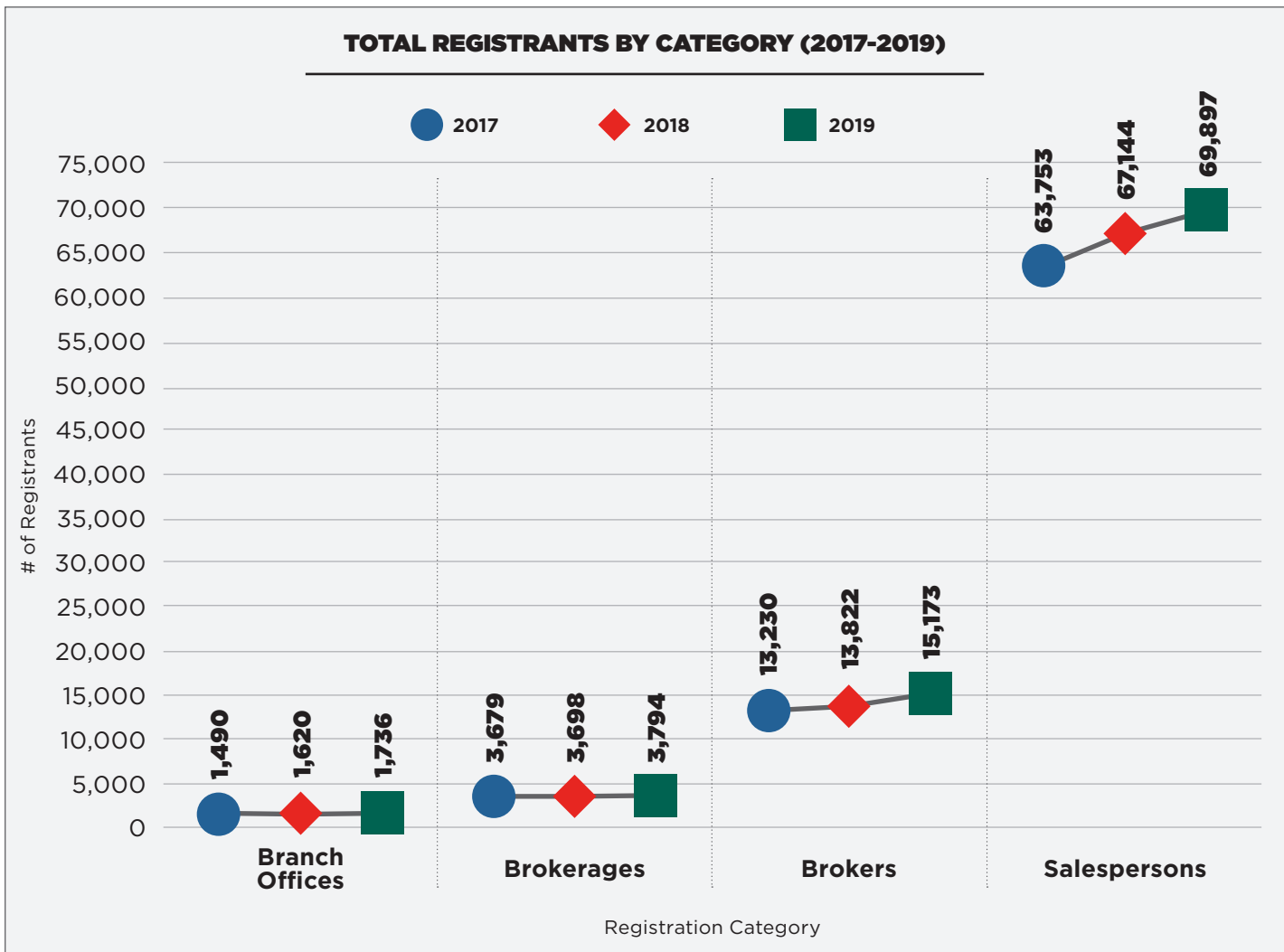
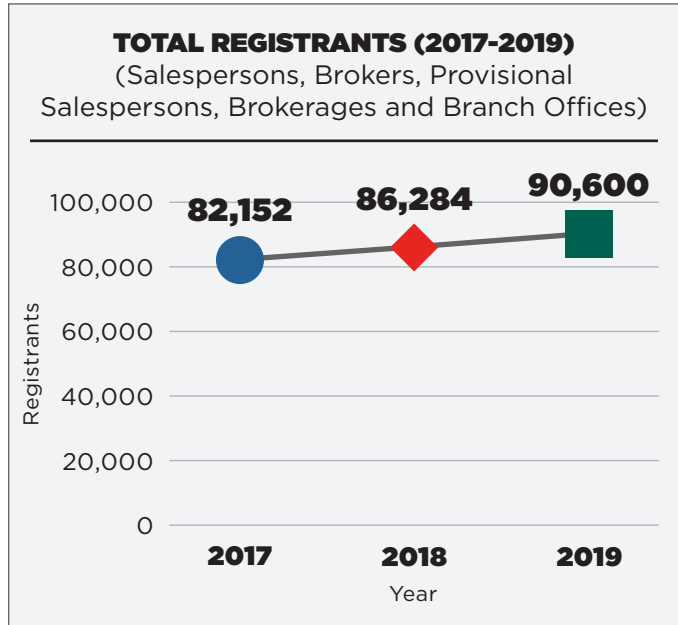
REGISTRATION

RECO assesses applicant eligibility to obtain and maintain registration as a brokerage, broker or salesperson based on legislated requirements.

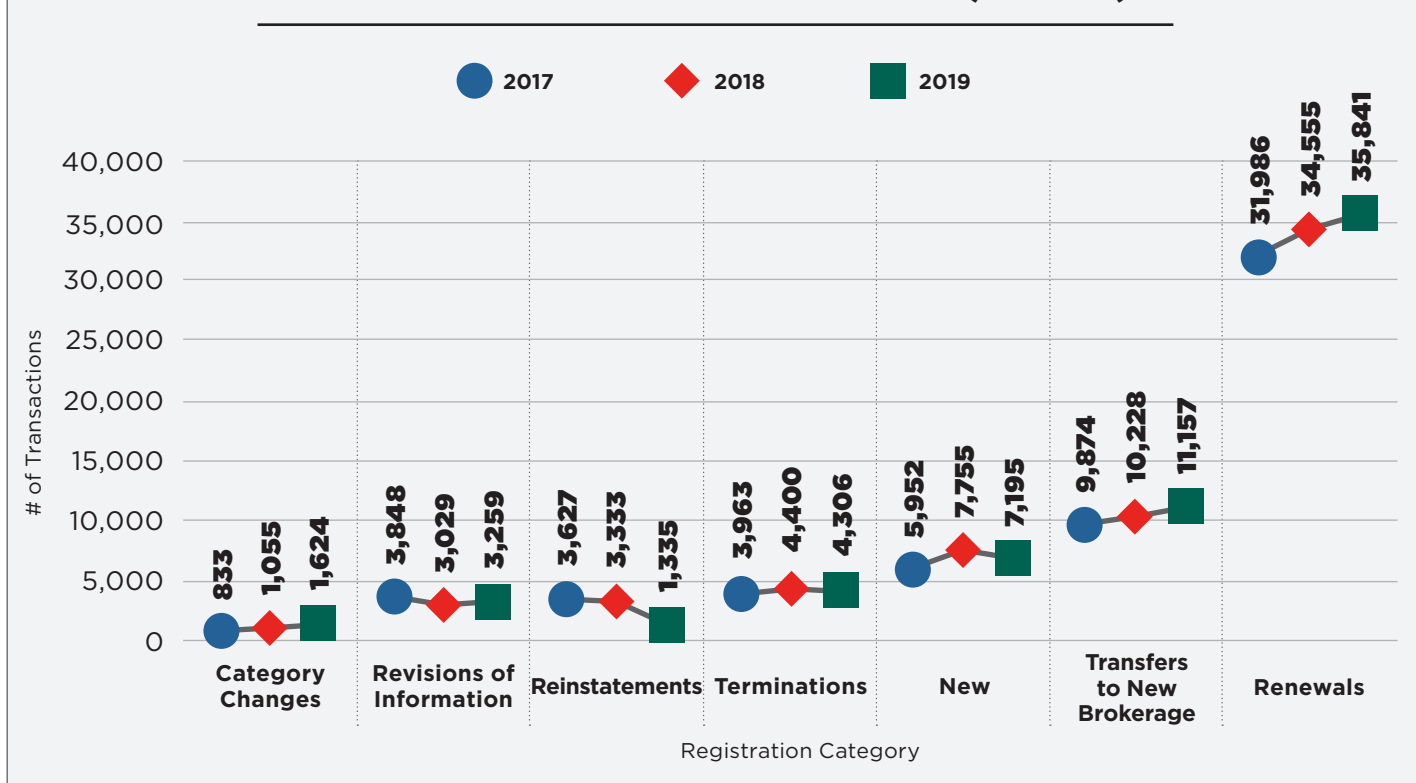
Increase in registrants

By the end of 2019, more than 90,000 registrants were registered in good standing with RECO, an increase of five per cent over the previous year. Since 2004, RECO's registrant base has grown by an average of five per cent year-over-year.

If the average annual growth of five per cent continues, the number of registrants could reach 99,000 by the end of 2021 and 104,000 by the end of 2022.



TOTAL REGISTRATION TRANSACTIONS BY TYPE (2017-2019)



EDUCATION

RECO establishes education requirements for registration, articling, broker and continuing education. The education program promotes continuous learning and competent, knowledgeable and professional conduct.

Registration education

Before becoming a salesperson, applicants must successfully complete an approved education program that teaches them about the fundamentals of trading in real estate and the rules they must follow.

RECO has been working to reshape education so that aspiring salespeople are more practice ready upon entry to the profession. In 2017, RECO announced that Humber College and NIIT Canada had been retained to build and deliver a new program. In 2019, the new Real Estate Salesperson Program launched, and by the end of the year, 4,290 learners had already started the program.

RECO is establishing new standards of excellence in the delivery of real estate education in Ontario by using a cutting-edge online platform and offering in-person simulations, which can be easily updated as the industry changes.

The Real Estate Salesperson Program features leading learning principles, with a strong mix of theory and practical knowledge, that will allow new salespeople to be practice ready and better meet the demands of tomorrow's real estate market.

A real estate Knowledge Management System (KMS) will launch in 2020. The KMS will provide all registrants with an online databank of searchable, just-in-time reference materials—such as job aids, checklists and guides. These can be readily updated with new tools to meet emerging needs.

Mandatory Continuing Education (MCE)

Education is an important part of fostering a safe and informed marketplace for consumers. For this reason, registrants are required to complete education courses every two years.

In 2019, RECO introduced two new elective courses: *Multi-residential Investment Properties*, with a focus on buying and selling multi-residential properties, and *FINTRAC Compliance*.

The *FINTRAC Compliance* elective is the first MCE course that is not based on REBBA 2002 compliance. Instead, the course focuses on registrant obligations to comply with the anti-money laundering legislation enforced by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). RECO consulted with FINTRAC during course development to ensure the information was clear and accurate.

In 2019, RECO also began making selected courses available to non-registrants, starting with *A Guide to Brokerage Inspections*. By opening this information to non-registrant brokerage employees, RECO is encouraging brokerage compliance with REBBA 2002 requirements.

Additionally, two electives—*FINTRAC Compliance and Compliance and Ethics in Real Estate*—will be opened to non-registrant brokerage employees in 2020.

In 2019, registrants completed over 95,000 MCE courses in 2019. After each course, RECO asked learners to complete a short survey. In 2019, the results were extremely positive:

- **97 per cent** indicated the content was relevant to their individual real estate practice;
- **97 per cent** indicated the activities gave them the opportunity to apply their knowledge of the topics;
- **96 per cent** indicated the content was interesting and easy to follow;

- **95 per cent** indicated the course was easy to navigate and understand;
- **92 per cent** liked the pace of the course; and,
- **97 per cent** enjoyed that online learning allowed the flexibility of learning at their own convenience and pace.

In order to ensure the MCE program was meeting its goals, RECO engaged CamProf Inc. to conduct a formal and rigorous review of all aspects of the program in 2018. CamProf released its final report in 2019, with several key insights.

The report demonstrates that real estate salespeople and brokers understand the value of continuing education to the reputation of their profession. CamProf outlined that RECO's MCE program has an important role to play in raising professional standards, but also believes it could be improved by expanding its delivery options.

Registrants want to learn, but on their own terms

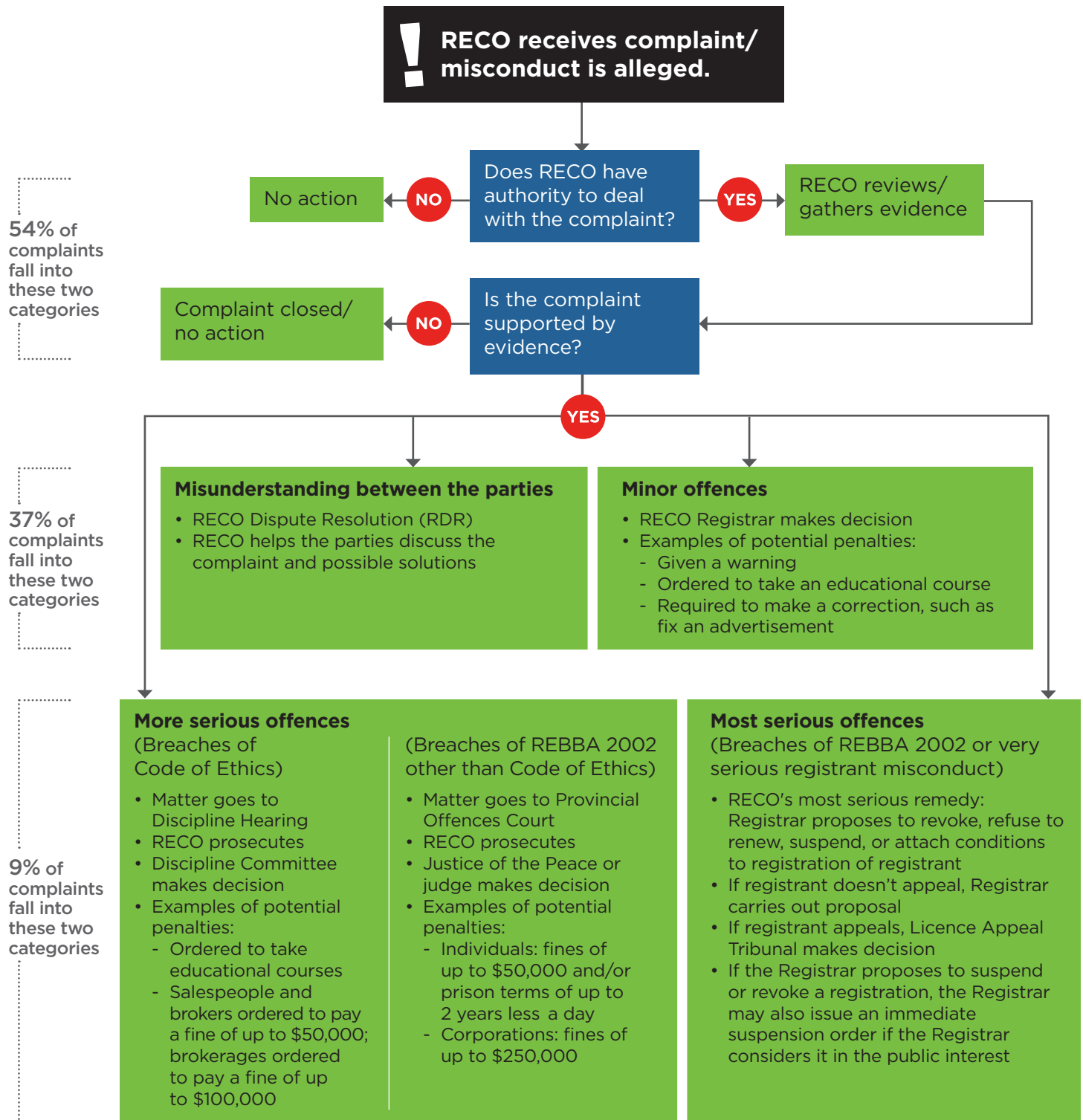
The results of the 2018 CamProf survey revealed strong opinions about how the MCE courses are delivered with 87 per cent saying that they want to complete the MCE program on their own chosen device. Registrants shared that RECO can do a better job of delivering information, and said they:

- Do not feel the way the course content is conveyed captures their attention (50 per cent);
- Do not feel the courses provide them with timely information (33 per cent); and,
- Prefer a combination of online and classroom training (33 per cent).

Generally, RECO's MCE program is viewed in a positive light; however, RECO is committed to making further enhancements—most notably to accommodate the individual learning needs of registrants. To address this, over the next few years, RECO will explore expanded delivery options.

For more information on the CamProf report and RECO's action items, visit the Mandatory Continuing Education page on RECO's website: www.reco.on.ca.

UNDERSTANDING RECO'S DISCIPLINE PATHS AND OUTCOMES



COMPLAINTS, COMPLIANCE & DISCIPLINE

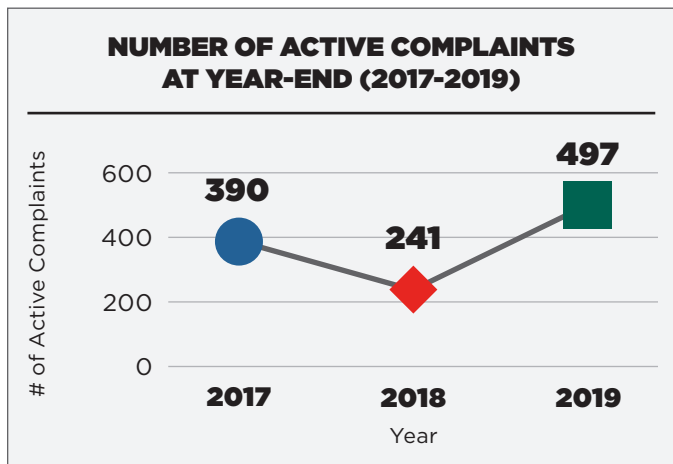
RECO addresses inquiries, concerns and complaints about the conduct of registrants and takes appropriate action to protect the public interest.

Registrants must follow the law when conducting their business. The law aims to protect consumers when they complete real estate transactions with the assistance of a brokerage and helps ensure public confidence in Ontario's real estate profession.

Managing the complaints inventory

In 2019, RECO opened 24 per cent more complaints than in 2018. Though the inventory of unresolved complaints at year-end was approximately twice that of 2018, it remains manageable. Additionally, complaint processing times remain well below the target average of 120 days. RECO continues to assess and refine its management of the complaints process.

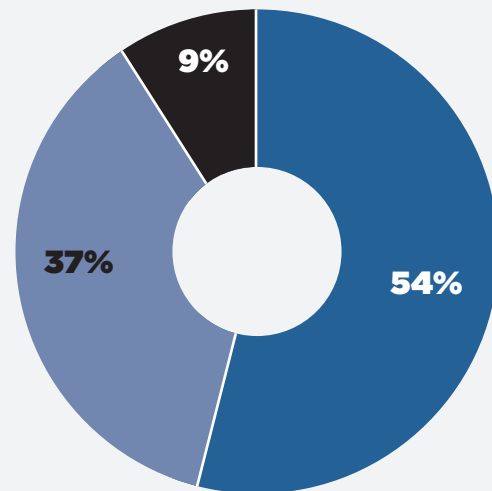
The number of complaints closed has remained comparable to 2018 closures, with 1,731 complaints closed by year-end.



Progressive action taken

RECO takes a progressive approach to discipline that considers the nature of the complaint. Outcomes range from taking no action if a complaint isn't supported by evidence or falls outside of its legislated mandate, to issuing a warning, ordering a registrant to take an educational course, or prosecuting a registrant for more serious breaches of REBBA 2002 or the Code of Ethics.

OUTCOMES OF COMPLAINTS CLOSED (2019)



● No Action ● Admin Action ● Prosecution

Process improvements

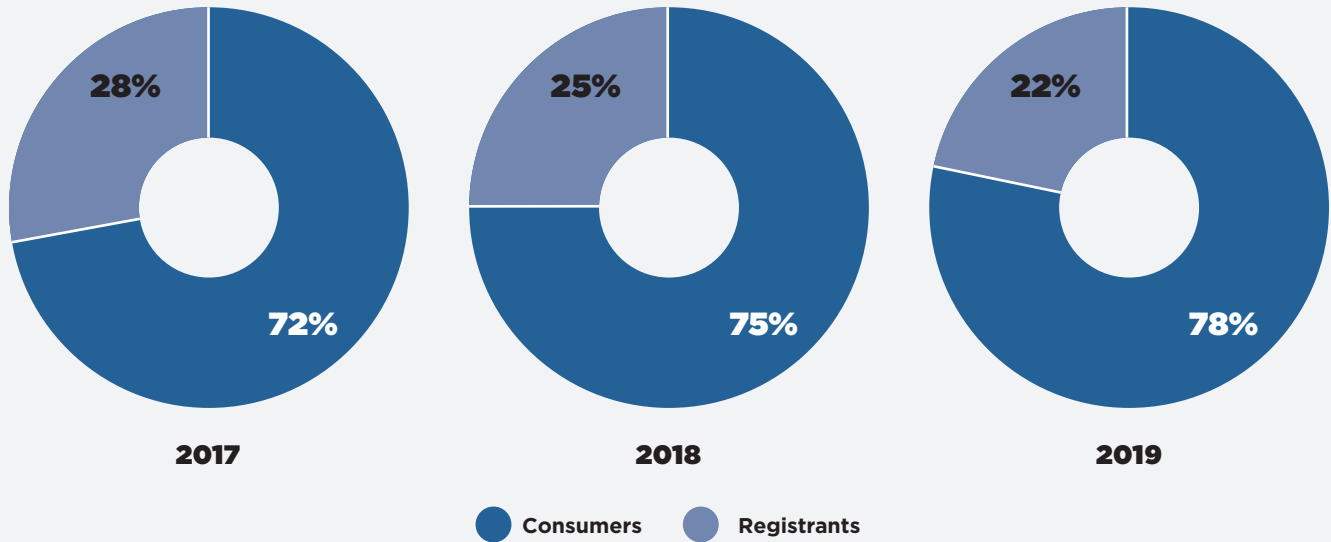
In 2017, RECO introduced new measures to manage and reduce the complaint inventory, including an enhanced screening process to determine, from the start, if a complaint is trivial in nature, outside its jurisdiction, or can be resolved informally.

These measures have helped focus RECO's investigative resources on substantive complaints where it has jurisdiction. This has contributed to shorter processing times, benefiting consumers and the industry as a whole.

COMPLAINTS OPENED & CLOSED (2017-2019)

	2017	2018	2019
Complaints Opened	1,699	1,618	2,010
Complaints Closed	2,926	1,767	1,731

DISTRIBUTION OF COMPLAINTS MADE BY CONSUMERS AND REGISTRANTS (2017-2019)



INSPECTIONS AND INVESTIGATIONS

Inspections

RECO conducts routine inspections of brokerages to ensure compliance with REBBA 2002 and to educate brokerages.

Inspections are conducted by RECO to make sure brokerages are conducting their business in accordance with REBBA 2002. The face-to-face interaction also provides opportunities to educate Brokers of Record on the importance of maintaining current and accurate records. It further provides an opportunity for Brokers to ask questions about leading practices in compliance.

RECO inspections fall into four categories:

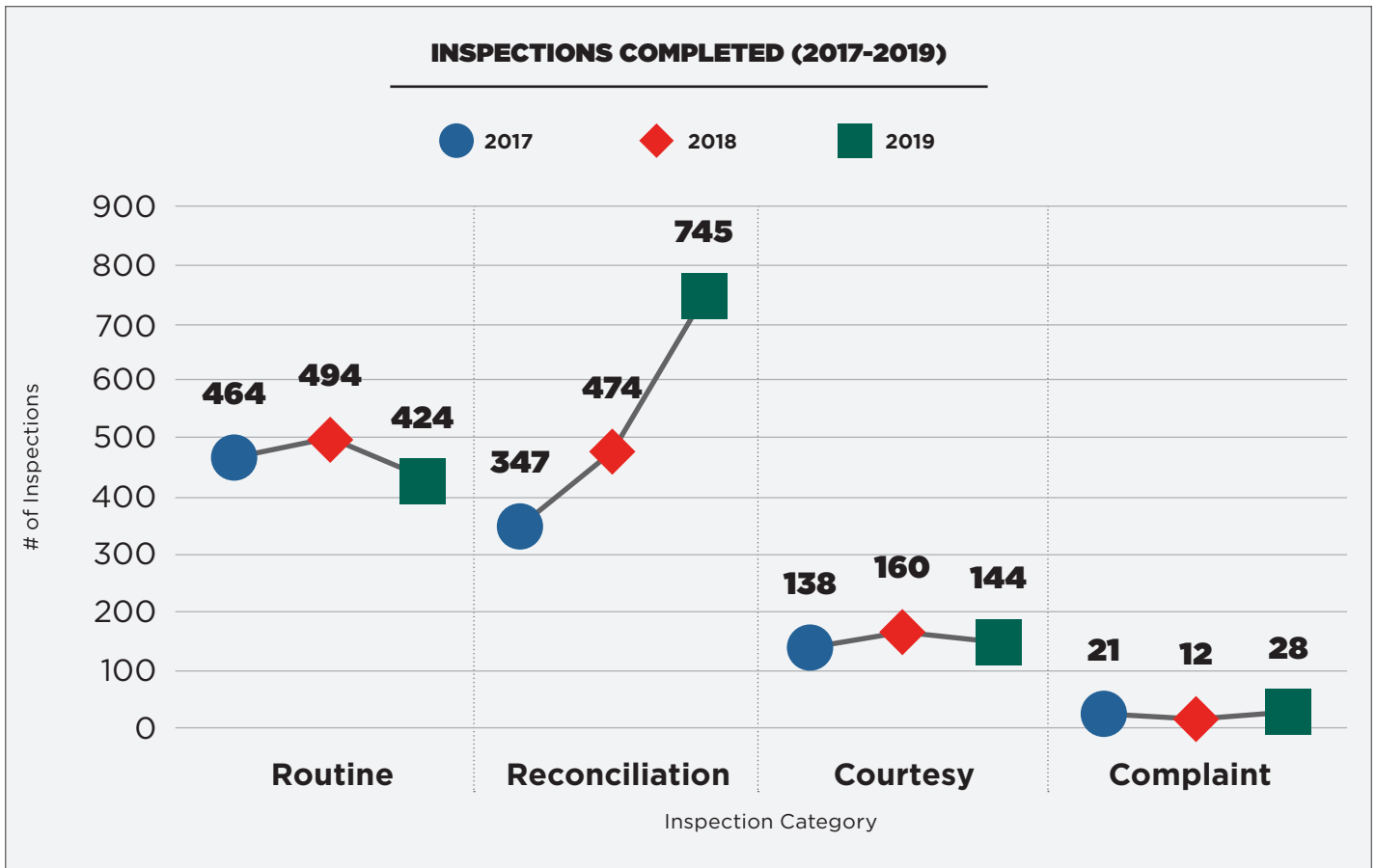
- Inspections generated by **complaints**;
- **Courtesy** inspections with newly established brokerages to help them ensure that their businesses are following regulatory requirements;

- Inspections of brokerage trust account **reconciliation** statements; and,
- **Routine** on-site inspections of brokerages.

These inspections provide a direct link between RECO and Brokers of Record who are accountable for brokerage compliance. In 2019, 1,341 brokerage inspections were conducted, an increase from the 1,140 inspections conducted in 2018.

During on-site inspections, inspectors examine records such as bank records, trust ledgers and all other required documentation created during a real estate transaction. Inspectors are also available to provide information and to answer registrant questions with a view to encouraging a compliant operation.

Though the primary purpose of the inspection program is to assess brokerage compliance with the law, it also provides opportunities for inspectors to work directly with Brokers of Record and other brokerage management to achieve a good understanding of the brokerage's obligations.



As part of RECO’s quality assurance program, surveys are issued to Brokers of Record to provide feedback on the program. The program is consistently rated very highly in terms of the inspector’s knowledge and professionalism, with ratings of 91 per cent and 92 per cent, respectively.

Broker responses showed that:

- **92 per cent** were **very satisfied** with RECO inspectors’ professionalism;
- **91 per cent** were **very satisfied** with RECO inspectors’ knowledge;
- **80 per cent** were **very satisfied** with notice given by RECO inspectors; and,
- **82 per cent** were **very satisfied** with the overall RECO inspections process.

Investigations

RECO investigates alleged violations of REBBA 2002, the Code of Ethics, and other REBBA 2002 regulations. The violations may be prosecuted in Provincial Offences Court, and some matters may result in the Registrar issuing a proposal to revoke, refuse or suspend the registration.

A listing of all convictions for 2019 can be found on the Recent Enforcement Decisions page of RECO’s website (www.reco.on.ca).

The table, outlining Investigations Opened & Closed on the next page includes only investigations that have been escalated from other departments. Increasingly, investigations are being completed within the complaints and registration departments, with only serious matters being escalated for additional investigation. This is due to the expertise that has been cultivated within those departments and the support provided by the investigations team.

INVESTIGATIONS OPENED & CLOSED (2017-2019)

	2017	2018	2019
Opened	184	195 (+6%)	121 (-38%)
Closed	169	184 (+9%)	136 (-26%)

In 2019, investigations led to 24 prosecutions in Provincial Offences Court. These 24 prosecutions involved 85 different charges for violations of REBBA 2002 and resulted in 47 convictions. The penalties for these convictions included fines totalling \$414,450 and 24 months of probation. The court also ordered \$54,100 in restitution.

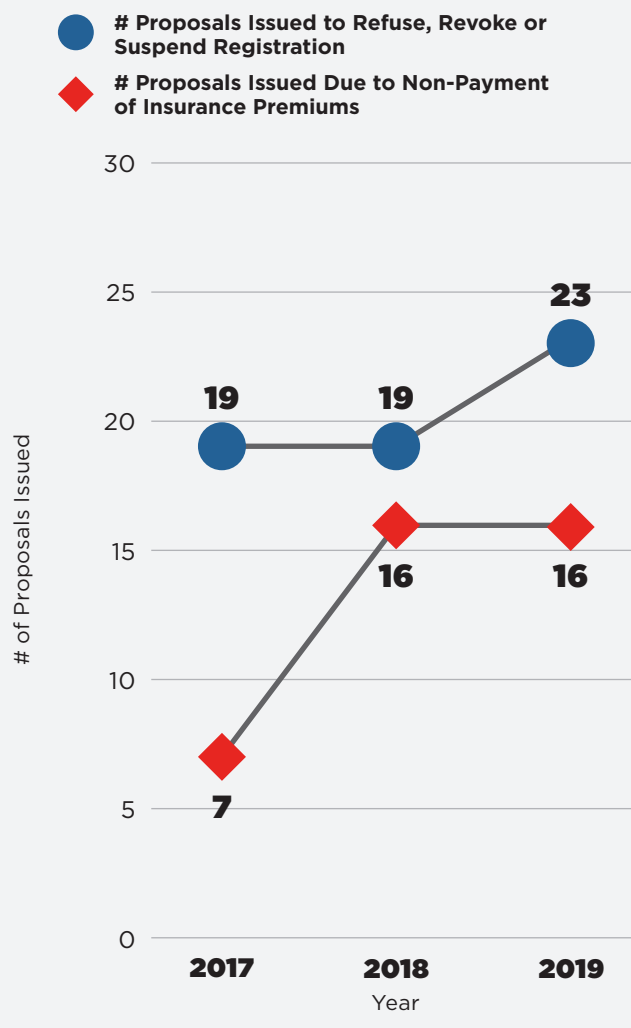
Registrar's Proposals

The Registrar's authority to revoke or suspend a registration, or refuse an application for registration, is a critical component of RECO's enforcement activities.

The Registrar has the authority to issue a proposal in situations where the applicant cannot reasonably be expected to conduct business in a financially responsible way, or where past conduct gives reasonable grounds for the Registrar to believe that the applicant will not conduct business with integrity, honesty and in accordance with the law.

Consumers are strongly encouraged to use the *Look up a Real Estate Salesperson, Broker or Brokerage* feature on the RECO website (www.reco.on.ca). By using the search tool before they sign an agreement with a brokerage, buyers and sellers can confirm that their representative is in good standing.

REGISTRAR'S PROPOSALS ISSUED (2017-2019)



Discipline and Appeals Hearings

RECO's Discipline and Appeals Committees are statutory tribunals subject to the *Statutory Powers Procedures Act* of Ontario. Complaints involving alleged breaches of the Code of Ethics may be referred to the Discipline Committee for a hearing. A discipline procedure is initiated when an allegation statement is issued; a procedure is concluded when a decision is released and any imposed discipline has been satisfied.

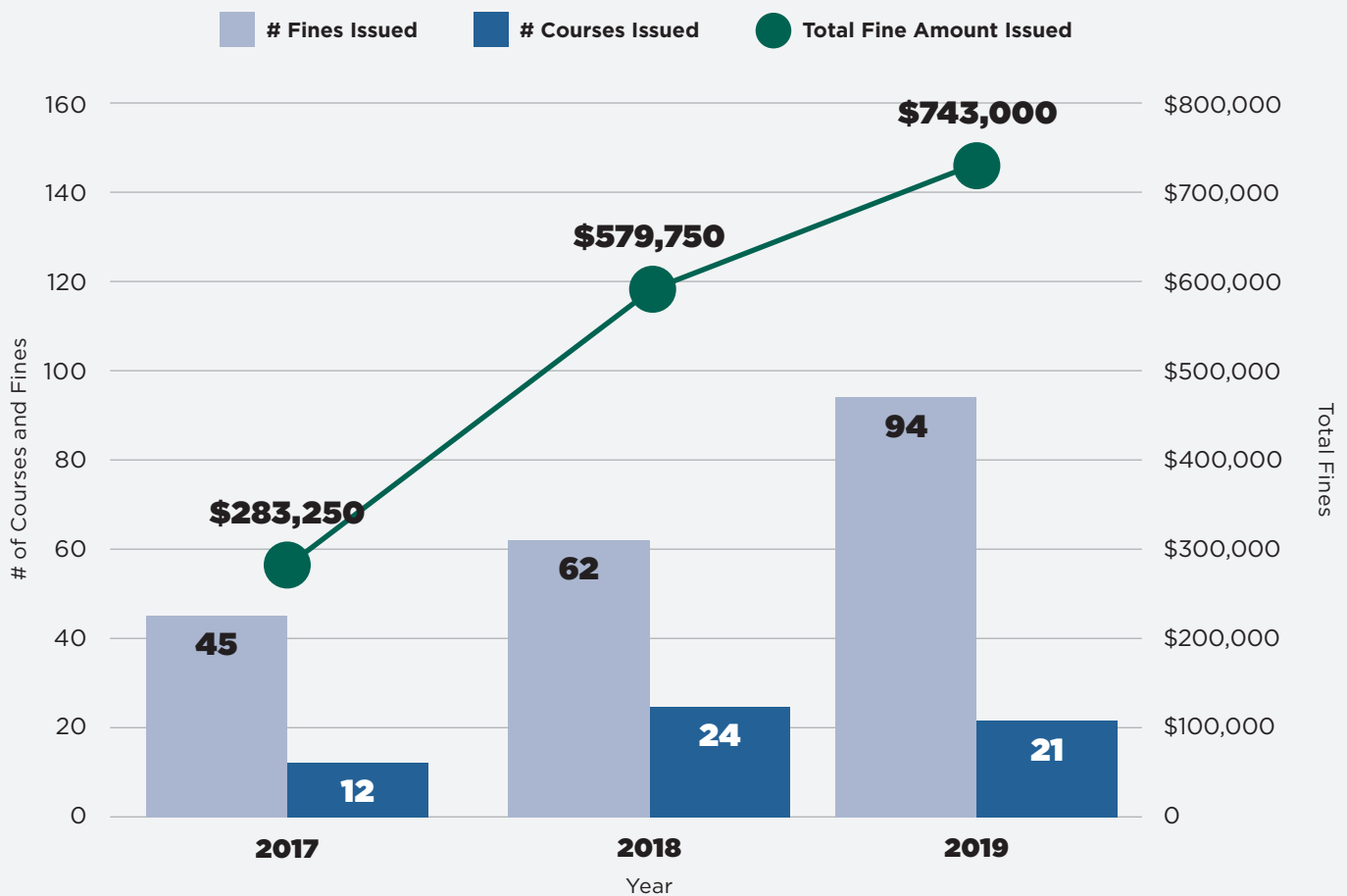
DISCIPLINE PROCEDURES INITIATED AND CONCLUDED (2017-2019)

	2017	2018	2019
Discipline procedures initiated	87	130 (+49%)	87 (-33%)
Discipline procedures concluded	47	67 (+43%)	98 (+46%)

In 2019, 87 cases were sent to RECO's Discipline Committee, reverting to average numbers in comparison to the spike in 2018 with 130 cases. This is due in part to the complaint inventory reduction project, whereby RECO closed a large number of cases. As a result, more cases were sent to the Discipline Committee in 2018, compared to 2017. Some cases concluded each year were initiated in previous years. The committee issued a total of \$743,000 in fines in 2019.

Consumers can learn more about a specific case by referring to the Recent Enforcement Decisions page on the RECO website at www.reco.on.ca.

PENALTIES ISSUED AT DISCIPLINE (2017-2019)





















CLIENT SERVICES

RECO'S SERVICE STANDARDS REPORT CARD (2019 YEAR END)



2019 YEAR END SCORES

RECO'S SERVICE STANDARDS REPORT outlines the levels of service the public, including registrants, can expect for most services under normal circumstances. RECO endeavours to meet or exceed these standards.






SERVICE	TARGET	2019 OVERALL	STATUS 2019 OVERALL
 Visiting RECO's office If a meeting has not been arranged, visitors will be greeted at reception and wait less than five minutes to speak to someone who is able to provide assistance unless we advise otherwise.	5:00 min.	2:20 min.	
 Contacting RECO by phone The wait time when calling RECO's main switchboard is less than two minutes.	2:00 min.	1:17 min.	
 Registration application processing*			
New Salesperson Applications: • processed within 10 business days	> 80%	87%	
Salesperson/Broker Renewal Applications: • processed within eight business days	> 80%	84%	
Reinstatement Applications for Brokers and Salespersons: • processed within 10 business days	> 80%	95%	
New Business Applications: • processed within 15 business days	> 80%	94%	
<i>*Please note these standards are for non-complex applications and assume all required supporting documentation was provided with the application.</i>			
 Complaints—average time to close Complaints that are not escalated are closed on average within the target time.	120 days	68 days	
 Complaints—average age of open files The average age of complaints that are open will remain below the target time.	80 days	39 days	
 meeting/exceeding target  missing target by ≤15%  missing target by >15%			

RECO'S SERVICE STANDARDS REPORT CARD (2019 QUARTERLY SCORES)



2019 QUARTERLY SCORES

RECO'S SERVICE STANDARDS REPORT outlines the levels of service the public, including registrants, can expect for most services under normal circumstances. RECO endeavours to meet or exceed these standards.

SERVICE	TARGET	Q1	Q2	Q3	Q4
 Visiting RECO's office If a meeting has not been arranged, visitors will be greeted at reception and wait less than five minutes to speak to someone who is able to provide assistance unless we advise otherwise.	5:00 min.	1:20 min.	1:30 min.	1:40 min.	3:40 min.
 Contacting RECO by phone The wait time when calling RECO's main switchboard is less than two minutes.	2:00 min.	2:09 min.	1:30 min.	1:00 min.	0:23 min.
 Registration application processing* New Salesperson Applications: <ul style="list-style-type: none"> processed within 10 business days 	> 80%	85%	84%	88%	90%
Salesperson/Broker Renewal Applications: <ul style="list-style-type: none"> processed within eight business days 	> 80%	81%	66%	94%	100%
Reinstatement Applications for Brokers and Salespersons: <ul style="list-style-type: none"> processed within 10 business days 	> 80%	96%	95%	97%	93%
New Business Applications: <ul style="list-style-type: none"> processed within 15 business days 	> 80%	88%	92%	100%	100%
<i>*Please note these standards are for non-complex applications and assume all required supporting documentation was provided with the application.</i>					
 Complaints—average time to close Complaints that are not escalated are closed on average within the target time.	120 days	64 days	61 days	69 days	74 days
 Complaints—average age of open files The average age of complaints that are open will remain below the target time.	80 days	37 days	33 days	39 days	45 days

INSURANCE

RECO administers insurance requirements, which includes consumer deposit protection.

RECO's Insurance Program was introduced on September 1, 2000 to provide protection to both consumers and registrants. All registrants are required to participate. RECO's Insurance Program consists of three valuable types of coverage:

- Consumer Deposit insurance;
- Commission Protection coverage; and,
- Errors and Omissions coverage.

Key Errors and Omissions coverage statistical highlights:

Most of the activity in the insurance program arises out of claims under the Errors and Omissions insurance coverage.

Since September 1, 2000:

- A total of 17,241 claims have been reported —of which 1,589 remain open;
- The program has managed and closed a total of 15,652 claims on behalf of registrants to date;
- Residential claims outnumber commercial claims by a ratio of 5:1 (including vacant land and agricultural as commercial; otherwise, the ratio is closer to 7:1); and,
- Urban-located claims outnumber rural-located claims by a ratio of 7:1.

In 2019:

- Similar to 2018, the number of claims involving transactions exceeding \$250,000 in value represent approximately 65 per cent of all claims reported; and,
- There were 1,159 claims reported compared with 1,356 claims reported in 2018.



FRENCH LANGUAGE SERVICES

RECO provides French language services to registrants and consumers.

Continuing efforts to provide French language services to registrants and consumers has resulted in RECO responding in French to all inquiries and communications received in French.

In 2019, RECO received and responded to 25 calls and one complaint in French.

RECO is very pleased to have launched a French language website in 2018. This step represented a significant advance in RECO's ability to offer services in French.

The French language website provides key consumer information, and RECO plans to enhance it over time to be comparatively comprehensive to the English website. Plans are already in place to ensure that it remains consistent with parallel sections of the English website as the latter is updated. RECO's French-language website may be viewed here: www.reco.on.ca/fr.



Report on Objectives

Strategic Goal #1: Deliver Innovative, Progressive Regulation

GOAL 1.1: Establish relevant data sets necessary to meet regulatory responsibilities and design practices, including the necessary analytical capability to mine and learn from those data.

OBJECTIVES

- MCE: introduce technology updates as well as expanded ability to gather data and feedback. This lets us enhance the user experience and target compliance issues where more compliance support may be necessary.
- Introduce registrant response time tracking to analyze correlations with other data to support compliance and timely enforcement.
- Formalize data analysis around regulatory areas to more accurately measure its efficiency, effectiveness and efficacy.

2019 ACCOMPLISHMENTS

- Held an education focus group, with representatives from several Ontario real estate boards, yielding valuable feedback and resulting in a series of focus groups to be delivered in 2020.
- Conducted a survey on in-class MCE offerings, the results of which supported data collected during the recent MCE review conducted by CamProf.
- Launched an MCE *FINTRAC Compliance* elective in response to registrant interest.
- Implemented a tracking mechanism for registrant response time in Q2 and made changes to the complaints process to reduce the time taken by registrants to respond to complaints. These efforts have been made to support timely registrant response times and the impact will continue to be monitored in 2020.
- Compiled data comparing overall complaint processing times with quality assurance survey responses and discovered a positive link between satisfaction and timelines. A focus on complaints process timelines will continue.
- Initial data analysis has begun and will continue in 2020.

GOAL 1.2: Expand our strategic capacity to allow us to monitor our operating environment to ensure efficacy of our regulatory practices and of our policies using current methodologies of data analysis.

2019 ACCOMPLISHMENTS

- Based on increased ability to collect data and analyze data, identify key compliance risks and establish strategies to increase compliance and mitigate key risks.
- Identified the top three compliance risks: levels of registrant diligence; communication-related errors; and registrant delegation/supervision.
- Risk mitigation strategies will be developed and implemented in 2020.

<ul style="list-style-type: none"> • Introduce a standardized format for registrant responses to complaints to encourage a more focused registrant response to expedite the process. 	<ul style="list-style-type: none"> • Developed a new online registrant response form and a new complementary complaint form. Both will be implemented in 2020.
<ul style="list-style-type: none"> • Refine the focus of the inspection program on key identified risks and harms to consumers to strategically reduce the occurrence and the prospective harm. 	<ul style="list-style-type: none"> • Conducted over 1,000 inspections, a combination of on-site and reconciliation. • Identified the top area of non-compliance: brokerages not reconciling their trust funds as required by the regulation. A strategy to increase compliance will be launched in 2020. • Addressed issues identified during inspections swiftly, the most serious evidenced by proposals issued to revoke three brokerages. In two cases, action was taken to freeze brokerage accounts for public protection.
<ul style="list-style-type: none"> • Review/reform registration application processes. All requirements will be vetted against the legislation with an aim to modernize the processes and increase efficiencies. 	<ul style="list-style-type: none"> • Modernized the application form to focus on applicant disclosures regarding registrant eligibility. • Revisited several supporting document requirements/delivery methods, resulting in less burden on applicants and RECO staff. • Commenced design and programming of an online application process for new applicants.

GOAL 1.3: Complete implementation of the Enterprise Risk & Innovation Management program and integrate it into project management, environmental scans and executive and Board decision-making.

OBJECTIVES	2019 ACCOMPLISHMENTS
<ul style="list-style-type: none"> • Plan to enhance MCE program platform to take advantage of new technology and address the technology-related risks with an aging system. 	<ul style="list-style-type: none"> • Identified security updates, which will be addressed in early 2020. • Efforts to reduce manual intervention with user issues through a technological solution are underway and will be implemented in 2020. The solution is expected to improve registrant experience and reduce employee intervention.
<ul style="list-style-type: none"> • Complete implementation of the Enterprise Risk & Innovation Management program. 	<ul style="list-style-type: none"> • The Policy on Enterprise Risk & Innovation Management and the Statement of Risk Appetite were developed and approved by the Board of Directors. • A portal was launched for efficient exchange of risk information and an annual reporting cadence was established.

GOAL 1.4: Advocate reform of the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) to create more modern and flexible legislation that allows us to successfully achieve our mission even as our environment changes.

OBJECTIVES	2019 ACCOMPLISHMENTS
<ul style="list-style-type: none"> • Actively participate in the Government's review of REBBA 2002. 	<ul style="list-style-type: none"> • Actively participated in the review of REBBA 2002 throughout 2019. RECO is supportive of the key proposed changes introduced in Bill 145, <i>Trust in Real Estate Services Act, 2020</i> (TRESA).

GOAL 1.5: Design and make available to registrants enhanced information and guidance on professional standards, delivered in various formats and media.

OBJECTIVES

2019 ACCOMPLISHMENTS

- | | |
|--|--|
| <ul style="list-style-type: none"> • Assess RECO’s ability to provide enhanced guidance to registrants, through stakeholder outreach and communications strategy. | <ul style="list-style-type: none"> • Presented at 19 boards and associations across the province. Presentations were delivered either in person or as a webinar. In 2020, a series of videos will be produced to keep local boards and their members up-to-date with RECO’s current issues. |
|--|--|

GOAL 1.6: Implement a new Registration Education Program as the first step towards an open marketplace, greater choice in education and an independent certification exam.

OBJECTIVES

2019 ACCOMPLISHMENTS

- | | |
|--|--|
| <ul style="list-style-type: none"> • Launch Real Estate Salesperson Program and Real Estate Broker Program. | <ul style="list-style-type: none"> • Launched the new salesperson program, which includes mandatory in-person simulation sessions. The first graduates of the new program are expected in March 2020. |
|--|--|

**Strategic Goal #2:
Support an Informed Real Estate Market in Ontario**

GOAL 2.1: Develop and deliver enhanced consumer-focused programs, building on existing strengths in consumer engagement, including making it easier for the public to access critical regulatory information.

OBJECTIVES

2019 ACCOMPLISHMENTS

- | | |
|---|---|
| <ul style="list-style-type: none"> • Develop a consumer-focused guide to buying and selling residential real estate, with supporting videos. | <ul style="list-style-type: none"> • Conducted two consumer research initiatives to drive the development of the communications campaign, which will launch in 2020. Qualitative research in the form of in-person focus groups with registrants and consumers were held to gather insights on the consumer journey. Additionally, an online survey of over 1,000 Ontario homeowners who have bought or sold in the past 10 years collected further insights to inform the program. The campaign materials will address the most common concerns consumers identified during this research regarding the buying and selling process. |
| <ul style="list-style-type: none"> • Build and maintain a knowledge base solution for all client services staff to improve consistency and speed of access to information. | <ul style="list-style-type: none"> • Introduced a repository of foundational information for applications, which is available for staff use. |
| <ul style="list-style-type: none"> • Implement a quality monitoring program for application processing and call/email responses. | <ul style="list-style-type: none"> • Established a call quality monitoring program within the Client Services department to monitor and improve quality of contacts with RECO. |

- Complete a comprehensive consumer research and analytics initiative that will drive the development of a communications strategy and implementation plan (audience segments, channels/media, messages, tactics, metrics) with the goal of having an informed real estate market in Ontario.
- Conducted two consumer research initiatives to drive the development of the communications campaign, which will launch in 2020. Qualitative research in the form of in-person focus groups with registrants and consumers were held to gather insights on the consumer journey. Additionally, an online survey of over 1,000 Ontario homeowners who have bought or sold in the past 10 years collected further insights to inform the program. The campaign materials will address the most common concerns consumers identified during this research regarding the buying and selling process.

GOAL 2.2: Establish new ways of engaging with the sector to build a shared accountability for consumer protection.

OBJECTIVES	2019 ACCOMPLISHMENTS
<ul style="list-style-type: none"> • The composition of the Education Advisory Committee will be reviewed to ensure diversity and representation necessary to advise effectively on education-related matters. 	<ul style="list-style-type: none"> • Initiated a strategy to repopulate the EAC. Four of six positions have been filled and an initial meeting is scheduled for January 2020. The remaining committee members will be appointed in 2020.
<ul style="list-style-type: none"> • Complete a comprehensive registrant research and analytics initiatives that will drive the development of a communications strategy and implementation plan (audience segments, channels/media, messages, tactics, metrics) with the goal of having an informed real estate market in Ontario. 	<ul style="list-style-type: none"> • RECO sent a comprehensive survey to 84,322 registrants. One of the key findings was the desire of registrants to have access to more consumer-facing materials. • In 2020, RECO will launch the “Registrants Leading the Way” campaign. The materials being developed will address the most common concerns consumers have identified during the buying and selling process.
<ul style="list-style-type: none"> • Focus registrant communications and presentation on specific areas of registrant non-compliance and clear direction to maintain compliance. 	<ul style="list-style-type: none"> • Focused broad registrant communications on key issues facing the sector. Particularly, a new bulletin on short-term accommodation, in conjunction with the Travel Industry Council of Ontario (TICO), as well as informing registrants of legislative reform and how they can get involved.
<ul style="list-style-type: none"> • Engage local boards and associations in a strategy to support registrants in dealing with specific industry issues and their solutions. 	<ul style="list-style-type: none"> • Initiated a new outreach program for Executive Officers consisting of two live interactive webinars, which occurred in the Spring and Fall. The communication objective was to listen, learn and respond. Key insights and information gathered during the call will be continuously shared with registrants through RECO’s communication channels.

GOAL 2.3: Identify opportunities to engage with other organizations to deliver consumer protection initiatives.

OBJECTIVES

2019 ACCOMPLISHMENTS

- | | |
|--|---|
| <ul style="list-style-type: none"> • Continue to support and expand current cross-training undertaken with Tarion, local boards and associations, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Ontario Provincial Police and various police services, and the Ministry of Municipal Affairs and Housing. | <ul style="list-style-type: none"> • Collaborated with TICO to produce a bulletin on short-term accommodation rentals to help registrants understand their rights and obligations. • Collaborated with FINTRAC to produce a continuing education course to help registrants understand their obligations around reporting information regarding real estate transactions. |
|--|---|

**Strategic Goal #3:
Create a Resilient Organization**

GOAL 3.1: Execute an organization-wide initiative to identify and ingrain a set of shared values in alignment with the strategic plan.

OBJECTIVES

2019 ACCOMPLISHMENTS

- | | |
|--|---|
| <ul style="list-style-type: none"> • Complete first stage of this initiative. | <ul style="list-style-type: none"> • Deferred to 2020. |
|--|---|

GOAL 3.2: Implement a strategy that gives employees input to guide changes and improvements to RECO.

OBJECTIVES

2019 ACCOMPLISHMENTS

- | | |
|--|---|
| <ul style="list-style-type: none"> • Staff will be directly involved in the reviews of registration application, complaint, and inspection processes. Employees will participate in the shaping of their future work processes. | <ul style="list-style-type: none"> • Held information-gathering sessions with staff to identify opportunities to streamline processes and implemented several, including changes to application disclosure questions, how applicants make disclosures to RECO, redefining when criminal record checks are required and a new online process for new and reinstatement applications. • Regular sessions will be scheduled throughout 2020 to review system and processes moving forward. |
| <ul style="list-style-type: none"> • Organize quarterly meetings of representatives from all departments to generate ideas to take to Senior Management Group (SMG). | <ul style="list-style-type: none"> • Organized regular meetings between all departments to share current issues and to seek consistency in approaches to challenges all teams are facing. |
| <ul style="list-style-type: none"> • HR to research and make recommendations on solutions to gather and act on employee input. | <ul style="list-style-type: none"> • Implemented multiple avenues to solicit employee input, including CEO 'Let's Talk About It' drop-in sessions, and an innovation committee. |

- Develop internal communications strategy and operational plan that will provide the foundational and cross-functional support to create a resilient organization.
- Launched a series of initiatives designed to create a resilient and engaged organization: RECO's intranet platform; Town Hall staff meetings; a speaker series; a cross-functional Open House event; CEO open forums; and issue specific employee training. Staff report that they have a better understanding of RECO's mandate and their role and responsibilities within the organization. This has resulted in better connectivity between the teams.

GOAL 3.3: Create an organizational Sustainability Plan, focusing on fiscal needs, human resources, facilities and capital requirements.

OBJECTIVES	2019 ACCOMPLISHMENTS
• Develop a sustainability framework and a structured process for successful ongoing management.	• Identified and implemented a sustainability model, as part of RECO's Enterprise Risk & Innovation Management program.
• Conduct an internal audit of the HRIS/Payroll system.	• Completed field work for the internal audit in 2019, with an audit finding report due in early 2020.
• Conduct an internal audit of space and facilities to determine sustainability of current environment.	• Deferred to 2020 to align better with lease renewal in 2022.

GOAL 3.4: Implement enhancements identified in the 2018 Governance Review.

OBJECTIVES	2019 ACCOMPLISHMENTS
• Implement the first set of recommendations from Governance Review.	• Implemented approximately 75 per cent of all recommendations by year-end.

GOAL 3.5: Design and implement a consistent organizational planning cycle, integrating strategic planning, business planning, budget planning and Enterprise Risk & Innovation Management (ER&IM) program.

OBJECTIVES	2019 ACCOMPLISHMENTS
• Implement the first year of our new organizational planning cycle.	• Implemented a rolling five-year planning cycle, integrating strategic planning, business planning, budget planning and enterprise risk considerations.

GOAL 3.6: Create and staff an organizational Project Management Office.

OBJECTIVES

- Plan, launch and staff a Project Management Office (PMO) to introduce standardized reporting, methodology and consistency across all projects.

2019 ACCOMPLISHMENTS

- Re-evaluated the need for a PMO and determined that this was not the best path forward at this time. Instead, managers and designated staff will be trained on planning and basic project management principles. Dedicated project managers will be hired where projects warrant it. The overall organizational planning cycle and associated review cycle will monitor corporate program management within the already established management structure to ensure consistent reporting and oversight.

GOAL 3.7: Formalize our corporate compliance program, addressing legislative, contractual and policy compliance; and establish a process of regular policy reviews.

OBJECTIVES

- Implement the corporate compliance program.

2019 ACCOMPLISHMENTS

- Implemented the Corporate Compliance Program successfully. This included the drafting of a Policy on Corporate Compliance that was drafted and passed by the Board, rolling out the compliance obligation reporting program over 2018 to 2019, and delivering the CEO's first-ever report under the Policy to the Board in December 2019.
- Developed many new policies under the Policy Revision Project. These, as well as others awaiting revision, have been scheduled for regular review. Both the Corporate Compliance Program and the Policy Revision Project are permanent programs for RECO.



Financials

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Management's Discussion and Analysis (MD&A) below provides a review of the financial condition and the results of operations for the Real Estate Council of Ontario (RECO) for the fiscal year ended December 31, 2019. This MD&A should be read in conjunction with the audited financial statements which follow. Management provides explanations for the results from operations and insurance. The MD&A also provides analysis of the operating performance of the organization now and its outlook for the future. Forward-looking statements reflect management's expectations regarding RECO's objectives, plan, goals, performance and opportunities. These statements are based on management's reasonable assumptions and beliefs in light of the information currently available to them. Where these assumptions fall short of future reality, objectives may be less than fully achieved.

General Operations

Overview of the Organization

RECO is responsible for administering the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) and associated regulations on behalf of the Government of Ontario. RECO protects the public interest and advances the principle of ensuring a fair, safe and informed marketplace that supports a competitive economy. RECO does this by: setting educational standards for entry that real estate salespeople and brokers must meet; enforcing the rules that real estate salespeople, brokers and brokerages must follow to maintain registration; providing a complaint process where consumers and members of the industry can report issues; educating the public on their rights and responsibilities in a real estate transaction; and administering an insurance program that provides three types of coverage, including protection of consumer deposits made in real estate transactions.

RECO carries out its activities through a corporate governance structure. Under the terms of the Administrative Agreement between RECO and the Ministry of Government and Consumer Services, RECO as a corporate entity is responsible for: ensuring that it has adequate resources, including financial resources to carry out its mandate; that it maintains up-to-date written policies covering all areas of its business; that it develops and maintains appropriate performance measurements, governance, and financial management processes with sound internal controls to conduct its operations effectively and efficiently; and that it maintains an effective system for responding to and assisting in the resolution of consumer and other complaints related to REBBA 2002 compliance.

RECO's strategy consistently focuses on the principles of investing in the professionalism of the industry and the reduction of burden on the business of real estate. RECO's 2019 Business Plan laid out objectives aligned with these principles, as well as RECO's three strategic goals:

- Deliver innovative, progressive regulation;
- Support an informed real estate market in Ontario; and,
- Create a resilient organization.

Consumer Protection Excellence

CONSUMER KNOWLEDGE

A key element of consumer protection is nurturing a higher level of knowledge among consumers. During 2019, RECO conducted consumer research that delivered insights into the most common concerns and issues consumers face during the buying and selling process. That research is driving the development of a communications campaign, set to launch in 2020.

REGISTRANT KNOWLEDGE

Consumer protection is further enhanced when real estate salespeople and brokers are equipped with the skills and knowledge to serve their clients well. In 2019, RECO partnered with Humber College Institute of Technology & Advanced Learning and NIIT Learning Solutions (Canada), Ltd. to launch the Real Estate Salesperson Program, a new approach to registration education designed to ensure that registrants are more practice ready on day one.

The new program is the result of a thorough review of registration education, which included extensive research and consultation with the profession, education providers and regulatory bodies. A white paper was also distributed, which outlined RECO's vision for registration education.

With changes in the marketplace, technology, and consumer preferences, RECO's commitment to keeping registrant knowledge up to date through ongoing education is also important. RECO continues to further enhance the Mandatory Continuing Education (MCE) program. During 2019, RECO added two new elective options, bringing the total number of elective courses to 14. In addition, RECO launched new commercial and residential update courses. All registrants must take one of the update courses during their two-year registration cycle.

RECO also educates brokers and salespeople with Registrar's Bulletins, newsletter articles, and through in-person and online presentations.

COMPLAINT PROCESS

Consumer protection requires an effective framework for dealing with non-compliant behaviour. In 2019, RECO exceeded all service standard categories for complaint processing timelines. In addition, RECO created a streamlined communication process and submission process for registrants who are the subject of a complaint. To encourage compliant behaviour, RECO employs a progressive discipline approach, evaluating each complaint based on the specific circumstances.

Organizational Excellence

HUMAN RESOURCES

In a service-based organization, excellence is characterized by employees who are knowledgeable, engaged, and committed to the mission. To attract and retain the right people, an organization must be competitive in its compensation practices, provide opportunities for personal and professional development, and recognize accomplishments.

RECO continues to focus on results from an employee engagement survey to target areas for improvement. In 2019, RECO introduced a new intranet portal to help employees stay informed and engaged. In addition, RECO introduced a work from home policy, which supports a more flexible work environment and nurtures employee satisfaction.

RECO also added capacity to make certain it has the infrastructure needed to achieve its strategic goals.

TECHNICAL RESOURCES

RECO continued to improve its registrant database that launched in 2018 as well as its self-serve portal (MyWeb), by enhancing functionality and improving performance. In the future, the database will have more self-serve options and improve data analytics capabilities.

To be effective and efficient, an organization needs a robust technological infrastructure. In 2019, RECO improved its internal security policies and upgraded its core networking infrastructure in order to enhance future stability and resiliency.

Engagement Excellence

REGISTRANT ENGAGEMENT

An effective regulator reaches out to all stakeholders, staying attuned to emerging trends and issues in the industry, and monitors new approaches to regulation. All stakeholders have an interest in enhancing consumer protection and the level of professionalism in the industry. In 2019, RECO participated in speaking engagements and industry trade shows across Ontario. RECO also began hosting online meetings with Executive Officers of local boards on a regular basis, in order to discuss emerging issues in the sector.

OTHER STAKEHOLDERS

Our relationship with the Government of Ontario's Ministry of Government and Consumer Services allows us to provide unique, impartial advice on REBBA 2002 reform that will support consumer protection and enhance RECO's ability to implement and enforce professional standards.

In 2019, the government introduced Bill 145, *Trust in Real Estate Services Act, 2020* (TRESA). TRESA will support and strengthen consumer protection and professionalism in the real estate sector.

OTHER PARTIES

RECO continues to connect with other Delegated Administrative Authorities to share benchmarks and best practices. RECO also maintained frequent contact with other regulatory bodies in Canada, through channels such as the Real Estate Regulators of Canada.

Governance Excellence

STRATEGIC AND BUSINESS PLANNING

Good governance practices are characterized by clear strategies, disciplined operations, self-evaluation, risk management, and transparency and accountability. In 2018, a third-party review of RECO's governance structure, policies and processes was undertaken, and a report was publicized in early 2019. In 2019, RECO implemented approximately 75 per cent of the recommendations. Work on the remaining recommendations is ongoing.

Following the introduction of a new five-year Strategic Plan in 2018, RECO implemented a planning cycle that includes strategic planning, business planning, budget planning and enterprise risk considerations. This planning framework will enable RECO to meet its strategic goals.

ENTERPRISE RISK AND INNOVATION MANAGEMENT (ER&IM)

RECO successfully completed implementation of the ER&IM program, enhancing RECO's risk management capabilities beyond the requirements within the administration agreement. The ER&IM program is a continuous, proactive and dynamic process designed to identify, assess, communicate and manage potential risks and assess new opportunities that may impact RECO as the organization works towards achieving its strategic objectives. The program is based on the ISO 31000 risk framework.

TRANSPARENCY AND ACCOUNTABILITY

In maintaining the trust of its stakeholders, RECO carries out its mandate under a strong policy structure, operates effectively, allocates resources responsibly, and maintains reserves that will provide funding for future strategic developments and/or to allow the flexibility to weather future challenges. To uphold transparency and accountability, RECO uses its website and other media to report on its activities throughout the year, publishes its strategic and business plans, and produces an annual report detailing its performance against business objectives, together with audited financial statements.

Financial Results

COMPARATIVE INCOME STATEMENT

	2019	2018	Increase
	\$'000s	\$'000s	(Decrease)
			\$'000s
Total Revenues	27,630	24,710	2,920
Total Expenses	25,116	23,316	1,800
Excess of Revenues Over Expenses	2,514	1,394	1,120

There was an excess of revenues over expenses of \$2.5M in 2019, compared to \$1.4M in 2018.

COMPARATIVE REVENUES

	2019	2018	Increase
	\$'000s	\$'000s	(Decrease)
			\$'000s
Registration Fees	17,581	16,217	1,364
Other Registrant Fees	3,479	3,333	146
Education	4,733	4,329	404
Other Income	1,301	430	871
Interest Income	536	401	135
Total Revenues	27,630	24,710	2,920

The year-over-year increase in the number of registrants drove two-thirds of the revenue growth under Registration Fees. This was also the principal driver of the growth in Other Registrant Fees. Approximately one-third of the increase in Registration Fees relates to flow-through effects of past fee structure changes.

Education revenues include registration education and MCE, and fluctuate based on enrolments. The increase was largely attributable to a surge in students joining the Registration Education Program delivered by the Ontario Real Estate Association (OREA) before enrolment closed on April 30, 2019. After that date, all prospective students enrolled in the new Real Estate Salesperson Program delivered by Humber College.

Other Income is comprised of disciplinary fines, other fees and assessments. The increase was largely attributable to an increase in disciplinary activity. Management also undertook a project to compile data on fines levied, amounts outstanding, and historical experience of collectability. As a result of the information collected, additional disciplinary fines revenue was recognized in 2019.

Interest income was higher primarily due to higher interest rates.

COMPARATIVE OPERATING EXPENSES

	2019	2018	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Salaries and Benefits	14,629	14,044	585
Departmental	7,281	6,166	1,115
Office, Occupancy and General	1,551	1,581	(30)
Amortization	1,151	1,044	107
Governance	504	481	23
Total Operating Expenses	25,116	23,316	1,800

As a service organization, salaries and benefits were RECO's largest expense in 2019, representing 58 per cent of total operating costs.

Overall, Salaries and Benefits have increased due to the following three initiatives:

1. Investment in the new Real Estate Salesperson Program;
2. Implementing enhancements to IT infrastructure in support of delivering innovative, progressive regulation; and,
3. Flow-through effects from the organizational structural changes that were initiated in 2016 and concluded in 2018.

These initiatives contribute to RECO achieving its strategic goals. For example, the new Real Estate Salesperson Program provides an enhanced learning environment, promoting consumer protection by ensuring new registrants have the knowledge and skills to be more practice ready on day one. Enhanced technological infrastructure is expected to drive the delivery of electronic services which will in turn, improve the registrant experience thus creating a more resilient organization. Completing the implementation of the customer-centric structure in 2018 helped RECO achieve organizational excellence through improved service delivery.

Increased departmental expenses were driven by outside service costs related to project oversight of the new Real Estate Salesperson Program, continued development of the new registrant database, and the launch of an internal audit program. The increase was partially offset by lower external legal costs, as more work was managed internally. Additionally, there were several non-recurring items from 2018, such as restructuring costs, which decreased in 2019.

Office, Occupancy and General expenses were consistent year-over-year.

Amortization expenses were higher in 2019 due to computer hardware and server upgrades completed at the end of 2018, and the deployment of a new registrant database. The increase was partially offset as RECO shifted towards purchasing software as a service (SaaS).

Governance-related expenses increased due to the implementation of a new Board structure, as recommended in an independent review of RECO's governance structure, policies and practices.

CAPITAL EXPENDITURES

	2019	2018	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Computer Hardware	202	576	(374)
Computer Software	10	30	(20)
Leasehold Improvements and Capital Leases	9	15	(6)
Total Capital Expenditures	221	621	(400)

Overall capital expenditures decreased as a result of upgrades completed in 2018.

FUND BALANCES

	December 31, 2019	December 31, 2018	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Capital and Intangible	3,628	4,541	(913)
Unrestricted	6,936	3,509	3,427
Restricted	8,000	8,000	-
Total Fund Balances	18,564	16,050	2,514

Fund balances are comprised of capital and intangible assets, unrestricted and restricted funds.

In 2019, the Board of Directors approved a new Statement of Investment Policy. Until the requirements of the new policy are fully implemented, funds not required immediately for operations are invested in guaranteed investment certificates.

Financial Outlook for 2020

	Budget 2020	Actuals 2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Registration Fees	18,891	17,581	1,310
Other Registrant Fees	3,790	3,479	311
Education	5,047	4,733	314
Other Income	812	1,301	(489)
Interest Income	671	536	135
Total Revenues	29,211	27,630	1,581
Operating Expenses:			
Salaries and Benefits	15,726	14,629	1,097
Departmental Costs	9,094	7,281	1,813
Office, Occupancy and General	1,521	1,551	(30)
Amortization	1,060	1,151	(91)
Governance Related Expenses	576	504	72
Total Expenses	27,977	25,116	2,861
Excess of Revenues Over Expenses	1,234	2,514	(1,280)

Revenues are expected to increase \$1.6M, or 5.7 per cent. This is mostly attributable to increased enrolments in registration education, which is expected to translate to more registrants joining RECO, and higher revenues in 2020.

Expenses are expected to increase by \$2.9M, or 11.4 per cent. The additional costs are attributable to initiatives expected to yield meaningful advances on RECO's strategic goals:

To **deliver innovative and progressive regulation**, RECO will continue to work with all stakeholders on TRESA in order to modernize the foundational legislation for Ontario's real estate sector. RECO will also continue investing in data gathering and analysis, oversee continued development of the new Real Estate Salesperson Program, and implement enhancements to MCE.

To **support an informed real estate marketplace**, RECO will strengthen consumer and stakeholder outreach efforts, with a focus on working with the industry to educate buyers and sellers on their rights and responsibilities.

To **create a resilient organization**, RECO will continue to invest in staff training and enhancements to the registrant database system, and fully implement an internal audit program. Training and internal communications efforts will ensure employees are fully equipped to embrace and adapt to change.

Insurance Program

Financial Results

Overview

The Insurance Program provides three types of protection:

1. Consumer deposit protection (protection of consumers);
2. Errors and omissions insurance (protection of consumers and registrants); and,
3. Commission protection insurance (protection of registrants).

Insurance Program revenues represent the contributions to the program stability fund, and the contributions to the insurance administration fund. Insurance receipts are amortized to income over the period of the insurance policy. The net assets of the Insurance Program Funds are restricted for use in the Insurance Program.

EXCESS OF REVENUES OVER EXPENSES BY FUND

	2019	2018	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Insurance Premium Fund	-	-	-
Program Stability Fund	2,082	1,770	312
Insurance Administration Fund	586	448	138
Excess of Revenues Over Expenses	2,668	2,218	450

There was an excess of revenues over expenses of \$2.7M in 2019, compared to \$2.2M in 2018.

INSURANCE PREMIUM FUND

The financial results reflect a classification change with respect to insurance premiums collected from registrants by RECO. As approved by RECO's Board of Directors, and in a manner consistent with the CPA Canada Handbook, RECO considers its receipt and remittance of insurance premiums as the activities of an agent of the insurer within the meaning of the CPA Canada Accounting Standards for Not-For-Profit Organizations.

Therefore, as a flow-through, these amounts are netted in RECO's financial results, and net income for the fund remains zero. The change has no impact on the excess of revenues over expenses. The 2018 financial information has been reclassified to conform to the current presentation.

PROGRAM STABILITY FUND

The fund is intended to protect registrants against future significant increases in insurance premiums, or for other events that may impact registrants, such as changes in program coverage. The Board approved a higher allocation to the Stability Fund for the 2018-2019 collection, and a lower allocation for the 2019-2020 collection to partially offset the increase to the underlying insurance premium. This resulted in the excess of revenues over expenses being higher by \$312k. No expenses are charged to this fund.

INSURANCE ADMINISTRATION FUND

The excess of revenues over expenses in the fund is \$587k and is largely due to an increase in revenues due to the growth in the number of registrants, while expenses remained relatively flat.

INSURANCE PROGRAM FUND BALANCES

	December 31, 2019	December 31, 2018	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Insurance Premium Fund	54	54	-
Program Stability Fund	24,125	22,043	2,082
Insurance Administration Fund	2,071	1,484	587
Total Insurance Program Fund Balances	26,250	23,581	2,669

There was no change to the Insurance Premium Fund. The Insurance Premium Fund balance of \$54k held in trust represents net contributions to the insurance program accumulated several years ago in accordance with a past remittance agreement. The net increase to the Stability and Administration Funds was due to an excess of revenues over expenses.

Financial Outlook for 2020

	Budget 2020	Actuals 2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Insurance Premium Fund	-	-	-
Program Stability Fund	1,833	2,082	(249)
Insurance Administration Fund	640	587	53
Excess of Revenues Over Expenses	2,473	2,669	(196)

The excess of revenues over expenses in the Insurance Premium Fund is expected to remain zero. Changes to the excess of revenues over expenses in the Program Stability Fund and the Insurance Administration Fund reflect an expected increase in registrants joining RECO and changes to the allocation of Insurance fees to these Funds.

Independent Auditors' Report



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To the Board of Directors of
Real Estate Council of Ontario

Opinion

We have audited the financial statements of Real Estate Council of Ontario (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 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.

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

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.



Chartered Professional Accountants,
Licensed Public Accountants

Vaughan, Canada
March 26, 2020

Real Estate Council of Ontario

Statement of Financial Position

December 31, 2019, with
comparative information for 2018

	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current assets:	\$	\$	\$	\$	\$	\$
Cash	511,311	882,937	193,588	212,225	704,899	1,095,162
Short-term investments (note 2)	33,133,566	30,040,208	28,936,593	26,583,711	62,070,159	56,623,919
Accounts receivable (note 12(c))	1,361,875	989,492	157,112	131,653	1,518,987	1,121,145
Deposits and prepaid expenses	372,346	467,222	-	-	372,346	467,222
	35,379,098	32,379,859	29,287,293	26,927,589	64,666,391	59,307,448
Capital assets (note 3)	1,675,403	2,293,776	-	-	1,675,403	2,293,776
Intangible assets (note 4)	1,966,907	2,278,328	-	-	1,966,907	2,278,328
	39,021,408	36,951,963	29,287,293	26,927,589	68,308,701	63,879,552
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued liabilities (note 6)	1,304,847	2,211,899	18,173	30,830	1,323,020	2,242,729
Accrued insurance premiums (note 9)	-	-	1,092,846	1,153,684	1,092,846	1,153,684
Government fee payable (note 5)	165,000	165,000	-	-	165,000	165,000
Deferred lease inducement (note 6)	95,268	95,268	-	-	95,268	95,268
Deferred registration fees (note 7(a))	13,834,667	13,327,530	-	-	13,834,667	13,327,530
Deferred insurance fees (note 7(b))	-	-	1,926,090	2,161,188	1,926,090	2,161,188
	15,399,782	15,799,697	3,037,109	3,345,702	18,436,891	19,145,399
Deferred lease inducement (note 6)	119,085	214,353	-	-	119,085	214,353
Deferred registration fees (note 7(a))	4,938,572	4,887,879	-	-	4,938,572	4,887,879
	20,457,439	20,901,929	3,037,109	3,345,702	23,494,548	24,247,631
Net assets:						
Investment in capital assets and intangible assets	3,627,966	4,540,929	-	-	3,627,966	4,540,929
Restricted insurance program fund (Schedule)	-	-	26,250,184	23,581,887	26,250,184	23,581,887
Internally restricted operating reserve	8,000,000	8,000,000	-	-	8,000,000	8,000,000
Unrestricted	6,936,003	3,509,105	-	-	6,936,003	3,509,105
	18,563,969	16,050,034	26,250,184	23,581,887	44,814,153	39,631,921
Commitments and contingencies (notes 9 and 11)						
Subsequent event and contingencies (note 13)						
	39,021,408	36,951,963	29,287,293	26,927,589	68,308,701	63,879,552

See accompanying notes to financial statements.

Real Estate Council of Ontario

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2019	2018	2019	2018	2019	2018
Revenue:			(Schedule)			
	\$	\$	\$	\$	\$	\$
Registration and insurance fees (note 7)	17,581,420	16,217,004	3,187,648	2,932,117	20,769,068	19,149,121
Other registrant fees	3,478,840	3,332,695	-	-	3,478,840	3,332,695
Education (note 8)	4,732,701	4,328,672	-	-	4,732,701	4,328,672
Other income	1,300,906	430,029	117,658	129,939	1,418,564	559,968
	27,093,867	24,308,400	3,305,306	3,062,056	30,399,173	27,370,456
Expenses:						
Salaries and benefits	14,629,601	14,043,509	-	-	14,629,601	14,043,509
Departmental costs	7,281,034	6,166,140	-	-	7,281,034	6,166,140
Office, occupancy and general	1,550,965	1,581,385	-	-	1,550,965	1,581,385
Board remuneration and expense	268,709	227,679	-	-	268,709	227,679
Amortization (notes 3 and 4)	1,150,500	1,043,502	-	-	1,150,500	1,043,502
Government oversight fees (note 5)	198,707	198,707	-	-	198,707	198,707
Elections and annual general meeting	36,729	54,872	-	-	36,729	54,872
Insurance administration expenses	-	-	1,295,398	1,279,748	1,295,398	1,279,748
	25,116,245	23,315,794	1,295,398	1,279,748	26,411,643	24,595,542
Excess of revenue over expenses before investment income	1,977,622	992,606	2,009,908	1,782,308	3,987,530	2,774,914
Investment income	536,313	401,691	658,389	435,881	1,194,702	837,572
Excess of revenue over expenses	2,513,935	1,394,297	2,668,297	2,218,189	5,182,232	3,612,486

See accompanying notes to financial statements.

Real Estate Council of Ontario
Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

					2019	2018
	Investment in capital assets and intangible assets	Restricted insurance program fund	Internally restricted operating reserve	Unrestricted	Total	Total
	\$	(Schedule) \$	\$	\$	\$	\$
Balance, beginning of year	4,540,929	23,581,887	8,000,000	3,509,105	39,631,921	36,019,435
Excess of revenue over expenses	-	2,668,297	-	2,513,935	5,182,232	3,612,486
Purchase of capital and intangible assets	220,706	-	-	(220,706)	-	-
Amortization of capital and intangible assets	(1,150,500)	-	-	1,150,500	-	-
Principal repayments on capital lease	16,831	-	-	(16,831)	-	-
Balance, end of year	3,627,966	26,250,184	8,000,000	6,936,003	44,814,153	39,631,921

See accompanying notes to financial statements.

Real Estate Council of Ontario Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Cash flows from (used in) operating activities:						
Registration fees	18,139,250	17,970,945	-	-	18,139,250	17,970,945
Other registrant fees	3,441,540	3,385,395	-	-	3,441,540	3,385,395
Education receipts	4,829,867	4,263,644	-	-	4,829,867	4,263,644
Insurance premium fees receipts	-	-	34,504,539	30,945,051	34,504,539	30,945,051
Insurance program stability fees receipts	-	-	1,317,961	1,800,881	1,317,961	1,800,881
Insurance administration fees receipts	-	-	1,634,589	1,493,437	1,634,589	1,493,437
Other receipts	886,906	430,029	117,658	130,004	1,004,564	560,033
Insurance premiums paid	-	-	(34,565,377)	(30,693,065)	(34,565,377)	(30,693,065)
Cash paid to suppliers and employees	(24,861,409)	(21,948,175)	(1,308,055)	(1,267,432)	(26,169,464)	(23,215,607)
	2,436,154	4,101,838	1,701,315	2,408,876	4,137,469	6,510,714
Cash flows from (used in) investing activities:						
Interest received	523,115	357,128	632,930	406,850	1,156,045	763,978
Short-term investment purchases, net	(3,093,358)	(4,232,220)	(2,352,882)	(3,168,488)	(5,446,240)	(7,400,708)
Purchase of capital assets	(211,500)	(590,770)	-	-	(211,500)	(590,770)
Purchase of intangible assets	(9,206)	(29,939)	-	-	(9,206)	(29,939)
	(2,790,949)	(4,495,801)	(1,719,952)	(2,761,638)	(4,510,901)	(7,257,439)
Cash flows used in financing activities:						
Principal repayments on capital lease	(16,831)	(15,263)	-	-	(16,831)	(15,263)
Net decrease in cash	(371,626)	(409,226)	(18,637)	(352,762)	(390,263)	(761,988)
Cash, beginning of year	882,937	1,292,163	212,225	564,987	1,095,162	1,857,150
Cash end of year	511,311	882,937	193,588	212,225	704,899	1,095,162

See accompanying notes to financial statements.

Notes to Financial Statements

The Real Estate Council of Ontario (“RECO”) is a not-for-profit corporation, incorporated by letters patent under the Canada Corporations Act on January 24, 1997. On July 8, 2014, a Certificate of Continuance under the Canada Not-for-Profit Corporations Act was issued to RECO. RECO is exempt from tax under the Income Tax Act (Canada).

On May 5, 1997, RECO received delegated responsibility to administer the Real Estate and Business Brokers Act (the “Act”). RECO’s mandate is to protect consumers and to administer the regulatory requirements of Ontario’s real estate professions. On March 31, 2006, the Act was replaced by the Real Estate and Business Brokers Act, 2002 (“REBBA 2002”).

Consumer deposit insurance, errors and omissions insurance and commission protection insurance are mandatory under REBBA 2002. Payments required under REBBA 2002 are designated to three funds within the overarching Insurance Program Fund. Those three funds are the Insurance Premium Fund, the Program Stability Fund and the Insurance Administration Fund.

The Insurance Premium Fund is a restricted fund that is used to hold the insurance premiums that will be remitted to the insurer. The Program Stability Fund is a restricted fund that may be used to offset future increases in the premiums charged by the insurer. This fund may also be used to reduce the present level of premiums. The Insurance Administration Fund is a fund used to pay the administrative costs associated with the operation of the program.

The Operating Reserve is a designated fund created in 2016 by resolution of RECO’s Board of Directors (the “Board”). It is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, an unanticipated decrease in revenue, uninsured losses, and other similarly unusual circumstances as may be recognized from time to time by the Board.

All reserves are managed by RECO as required by RECO’s Policy on Financial Reserves, passed by the Board on December 13, 2018.

1. Significant accounting policies:

(a) Basis of preparation:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) as issued by the Canadian Accounting Standards Board.

(b) Revenue recognition:

RECO follows the deferral method of accounting for revenue. RECO derives its revenue primarily from fees charged to register as a real estate salesperson, a real estate broker, and a real estate brokerage, fees charged to review applications, fees charged for mandatory continuing education, amounts receivable under an education services agreement (the “Education Services Agreement”) with the Ontario Real Estate Association (“OREA”), and fees charged for the administration of the insurance program.

Registration proceeds are for a two-year period. Revenue is recognized evenly over this two-year period consistent with the period in which services are to be rendered. Amounts related to future years are recorded as deferred registration fees.

Fees charged to review applications and for mandatory continuing education are recognized as they are earned.

Amounts received under the two education agreements are recognized as they are earned. Variable and fixed amounts received under the agreements are recognized over the period of entitlement. Details of the agreements are set out in note 8.

Revenues from disciplinary fines are recognized as the decisions of RECO’s Discipline and Appeals Committees are released. Amounts receivable are subsequently measured at the lower of amortized cost and net realizable value.

Insurance proceeds are for the one-year period of the insurance policy, which runs from September 1 of the current year to August 31 of the following year. Amounts related to the following year are recorded as deferred revenue. Other amounts receivable are recognized in the year received.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. RECO has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, RECO determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount RECO expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Computer equipment	30%
Office furniture and equipment	20%
Leasehold improvements	Over the term of the lease
Office equipment, subject to capital lease	Over the term of the lease

(e) Intangible assets:

Intangible assets are recorded at cost, less accumulated amortization. Amortization of intangible assets is provided on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Management information system	10%
Computer software	30%

(f) Impairment of capital and intangible assets:

Capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to RECO's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts.

There were no impairment charges recognized for capital and intangible assets in 2019 and 2018.

(g) Lease inducements:

Lease inducements are amortized on a straight-line basis as a reduction of rent expense over the term of the lease.

(h) Use of estimates:

The preparation of RECO's financial statements 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of certain receivables and accrued liabilities. Actual results could differ from those estimates.

2. Short-term investments:

Short-term investments consist of guaranteed investment certificates ("GICs") with interest rates ranging from 1.3% to 2.5% (2018 - 1.2% to 2.5%) and maturities ranging from January 2020 to December 2020 (2018 - January 2019 to June 2020).

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	3,188,246	2,542,040	646,206	868,818
Office furniture and equipment	2,747,289	2,554,098	193,191	263,844
Leasehold improvements	3,096,984	2,275,103	821,881	1,131,579
Office equipment, subject to capital lease	77,046	62,921	14,125	29,535
	9,109,565	7,434,162	1,675,403	2,293,776

In the current year, amortization expense related to capital assets totaled \$829,873 (2018 - \$719,894).

4. Intangible assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Management information system	2,479,306	545,447	1,933,859	2,181,789
Computer software	1,483,300	1,450,252	33,048	96,539
	3,962,606	1,995,699	1,966,907	2,278,328

In the current year, amortization expense related to intangible assets totaled \$320,627 (2018 - \$323,608).

5. Administrative agreement:

An administrative agreement exists between RECO and the Ministry of Government and Consumer Services (the "Agreement"). Amounts payable under the Agreement are recognized in the year incurred. In the current year, \$198,707 (2018 - \$198,707) was incurred as an expense. Amounts for future years will be as determined by the Ministry of Consumer Services.

	\$
Balance, December 31, 2018	309,621
Amortized to rental expense 2019	95,268
Balance, December 31, 2019	214,353
Amounts to be amortized in 2020	95,268
Amounts to be amortized in 2021 and subsequent years	119,085
	214,353

6. Deferred lease inducement:

RECO received lease inducements to enter into a long-term lease. Inducements include the reimbursement by the lessor of certain expenditures for leasehold improvements by RECO and graduated rental increases. These inducements are amortized on a straight-line basis as a reduction of rental expense over the term of the lease. The liability of \$71,451 related to graduated rental increases is recorded in accounts payable and accrued liabilities (2018 - \$103,207). The liability related to the reimbursement of leasehold improvements is recorded as deferred lease inducement, as follows:

7. Deferred revenue:

(a) Operations Fund:

Deferred revenue represents registration fees received that relate to subsequent periods. The movements in the deferred revenue balance during the year were:

	\$
Balance, December 31, 2018	18,215,409
Registration fees received in 2019	18,139,250
Less amounts recognized as revenue in 2019	17,581,420
Balance, December 31, 2019	18,773,239
Amounts to be recognized as revenue in 2020	13,834,667
Amounts to be recognized as revenue in 2021	4,938,572
	18,773,239

(b) Insurance Program Funds:

Deferred revenue represents insurance payments received that relate to the next fiscal year. The movements in the deferred revenue balance during the year were:

	Premium Stability Fund	Insurance Administration Fund	Total
	\$	\$	\$
Balance, December 31, 2018	1,184,259	976,929	2,161,188
Amounts received in 2019	1,317,961	1,634,589	2,952,550
Less amounts recognized as revenue in 2019	1,647,444	1,540,204	3,187,648
Balance, December 31, 2019 and amounts to be recognized as revenue in 2020	854,776	1,071,314	1,926,090

8. Education revenue:

Education revenue includes fees charged for mandatory continuing education and amounts receivable under the Education Services Agreement.

The Education Services Agreement between the Registrar appointed under REBBA 2002, RECO and OREA became effective August 1, 2008. In this agreement, the Registrar designated OREA as the sole fiduciary designate to provide the services, functions and responsibilities described in the agreement for a five-year period. The agreement was extended to July 31, 2018.

On January 11, 2016, the agreement was amended to allow for an end date of December 31, 2020 and included changes in the fee structure as follows:

- For the period commencing January 1, 2016 to March 31, 2016, OREA agreed to pay \$50,000 on February 1, 2016 and 5% per annum of all course revenue, education materials and other revenue of the OREA Real Estate College up to March 31, 2016, to be paid quarterly.
- For the period commencing April 1, 2016, OREA agreed to pay \$42 per enrollment, minus reimbursements, for student contracts for vocational programs signed on or after April 1, 2016 to be paid quarterly, and \$32 per enrollment, minus reimbursements, for student contracts for vocational programs signed prior to April 1, 2016 to be paid quarterly.

On March 30, 2017, RECO entered into an agreement with the consortium of NIIT Canada and Humber Institute of Technology & Advanced Learning as the future sole provider of registration education. The agreement runs until June 2024 and calls for RECO to receive \$2,000,000 annually beginning on the last day of the six-month anniversary of the program launch date. RECO is also entitled to 5% of all course revenue in excess of \$20,000,000 within a calendar year.

9. Commitments:

RECO has minimum operating lease commitments under leases for premises and equipment. The future estimated payments are as follows:

	\$
2020	734,261
2021	734,261
2022	183,565
	1,652,087

RECO is also committed to make insurance premium payments of \$1,092,846. These payments are due on August 31, 2020.

10. Funds held in trust:

RECO holds in trust consumer deposits transferred by brokers as dormant trust funds. As at December 31, 2019, these deposits amounted to \$5,733,258 (2018 - \$5,139,081). These amounts have not been included in the financial statements as RECO does not control or benefit from these funds.

11. Contingencies:

RECO is involved in litigation matters where RECO is named as the defendant. All extant matters in which RECO is named as a defendant are insured matters, and RECO's corporate insurer has carriage of all actions. In the opinion of management, the resolution of any of these claims against RECO will not result in a material effect on the financial position of RECO. Any pre-trial settlements, or portions of settlements, not covered by RECO's corporate insurance will be reflected in the statement of operations if the likelihood of loss is more likely than not and the amount can be reasonably determined. Any awards or portions of awards at trial or in arbitration and not covered by RECO's corporate insurance will be recognized as the matters are resolved.

12. Financial instruments:

The main risks to which RECO's financial instruments are exposed are interest rate risk, market risk and credit risk. It is management's opinion that RECO is not exposed to significant foreign exchange risk or cash flow risk. There has been no change to the risk exposure from 2018.

(a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. RECO is exposed to interest rate risk through its short-term investments. RECO's primary objective with respect to its investments in short-term investments is to ensure security of principal amounts invested and provide a high degree of liquidity.

(b) Market risk:

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of RECO. RECO manages its risk by investing only in highly liquid and short-term GICs.

(c) Credit risk:

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject RECO to credit risk consist principally of cash and short-term investments. RECO places its cash and short-term investments with high quality institutions to mitigate this risk.

RECO is exposed to credit risk on accounts receivable, which comprises amounts receivable from Registration Education Programs and disciplinary fines. Credit risk from Registration Education Programs is considered to be low, as receivables are recognized only if it is reasonably certain the monies will be received. Credit risk from disciplinary fines in aggregate are material, with most debtors owing individually immaterial amounts. RECO maintains an allowance for doubtful accounts of \$699,500 for disciplinary fines receivable.

13. Subsequent event and contingencies:

The COVID-19 pandemic is currently impacting organizations across the country and province, as all levels of government are advising individuals to self-isolate or to practice social-distancing. The province of Ontario declared a state of emergency on March 17, 2020 and subsequently ordered non-essential businesses to close as of March 25, 2020. RECO, as a delegated administrative authority, continues to operate as an essential service with modifications to its workforce operations in line with recommendations of public health authorities. The effects of the pandemic are far reaching and may impact the organization's financial results in future years, however it is not currently known to what extent, if any.

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. The reclassification has no effect on previously reported results or fund balances.

Real Estate Council of Ontario
Schedule of Insurance Program Fund Balances

Year ended December 31, 2019, with comparative information for 2018

				Total	
	Insurance Premium Fund	Premium Stability Fund	Insurance Administration Fund	2019	2018
	\$	\$	\$	\$	\$
Revenue:					
Insurance fees	-	1,647,444	1,540,204	3,187,648	2,932,117
Other income	-	-	117,658	117,658	129,939
	-	1,647,444	1,657,862	3,305,306	3,062,056
Insurance administration expenses:	-	-	1,295,398	1,295,398	1,279,748
Excess of revenue over expenses before investment income	-	1,647,444	362,464	2,009,908	1,782,308
Investment income	-	434,537	223,852	658,389	435,881
Excess of revenue over expenses	-	2,081,981	586,316	2,668,297	2,218,189
Accumulated fund balances, beginning of year	54,369	22,043,433	1,484,085	23,581,887	21,363,698
Accumulated fund balances, end of year	54,369	24,125,414	2,070,401	26,250,184	23,581,887



Governance

ORGANIZATIONAL STRUCTURE





Back row (L to R): Phillip Richardson, Bill Johnston, Bettianne Hedges, Rui Alves, Tamer Fahmi, Steve Boxma, Glenda Brindle, Michael Appleton, Tim Lee, John McCharles
Front row (L to R): Lucy Impera, Michael Beard, Frank Dattilo

Board of Directors

The Real Estate Council of Ontario (RECO) is governed by a 12-member Board of Directors, including nine elected members registered under the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) and three members appointed by the Minister of Government and Consumer Services. RECO's Board of Directors is responsible for providing progressive and collective leadership to RECO. In 2019, the Board held four business meetings and three additional special events. Further information on Board policies can be found in the Chair's message earlier in this report, and on RECO's website (www.reco.on.ca).

The day-to-day management of RECO is the responsibility of the CEO in accordance with the policies and budget established by the Board of Directors. The powers and duties imposed under REBBA 2002 are carried out by the Registrar. The management team and staff support the delivery of programs and services for consumers and registrants. As of December 31, 2019, RECO had 160 full-time employees.

Chair

GLENDA BRINDLE, Broker (Elected Director)
 Royal LePage Team Realty, Brokerage
 Ottawa
 End of Term: May 2021

Vice-Chair

STEVE BOXMA, Broker (Elected Director)
 Royal LePage Team Realty, Brokerage
 Manotick
 End of Term: June 2020

Elected Directors

RUI ALVES, Broker
 iPro Realty Ltd., Brokerage
 Mississauga
 End of Term: May 2022

MICHAEL APPLETON, Salesperson
 International Realty Firm Inc., Brokerage
 Toronto
 End of Term: May 2021

FRANK DATTILO, Broker
 Dattilo Realty Inc., Brokerage
 Windsor
 End of Term: May 2021

TAMER FAHMI, Broker
Keller Williams Edge Hearth & Home Realty, Brokerage
Burlington
End of Term: May 2022

BETTIANNE HEDGES, Broker
J. M. Edwards Associates Inc., Brokerage
Burlington
End of Term: June 2020

BILL JOHNSTON, Broker
Bosley Real Estate Ltd., Brokerage
Toronto
End of Term: June 2020

TIM LEE, Broker
Century 21 Explorer Realty Inc., Brokerage
Carleton Place
End of Term: May 2022

Appointed Directors

LUCY IMPERA
Pera-Dia International Inc.
End of Term: April 2020

JOHN McCHARLES
RE/MAX Sarnia Realty Inc.
End of Term: August 2022

PHILLIP RICHARDSON
Black Opal Property Advisors
End of Term: August 2022

Management

Office of the CEO

MICHAEL BEARD
Chief Executive Officer

Regulatory

JOSEPH RICHER
Registrar

VACANT
Deputy Registrar, Regulatory Compliance

LISA KEY
Director, Education

GAIL McGUIRE
Manager, Registration Education

BRIAN PRENDERGAST
Manager, Inspections & Investigations

GLEN THOMAS
Manager, Complaints, Compliance & Discipline

ANGELA VOLPE
Manager, Registration

LISA WALL
Manager, Education

Secretariat

LOGAN ATKINSON
General Counsel & Corporate Secretary

GEORGE DRAMETU
Director, Litigation

RUTH GARRETT
Director, Risk & Insurance Programs

CATHERINE JACKSON
Director, External Relations

SIÂN WILLIAMS
Director, Corporate Law & Policy

ADAM HAWKINS
Manager, Communications

DIPAK PARMAR
Manager, Board Operations

RAQUEL SMITH
Manager, Discipline and Appeals Hearings

Operations

BRENDA BUCHANAN
Chief Operations Officer

TIM BATES
Director, Finance & Accounting

ADAM FREYSENG
Director, Client Services

SYLVIA MAUTI
Director, Human Resources

MIKE PRIME
Director, Information Technology

VASKO MARKOVSKI
Manager, Application Development

MARTIN McKENZIE
Manager, Accounting

BOARD COMMITTEES

Audit, Risk, Finance & Insurance Committee // 6 Committee Meetings

The Committee assists the Board of Directors in meeting its fiduciary and governance responsibilities with respect to RECO's financial statements, external audit, budget, internal audit, and processes related to Enterprise Risk & Innovation Management (ER&IM).

The Committee oversees RECO's corporate insurance program. In addition, it monitors the professional liability insurance program administered by RECO and moneys held by RECO in the Insurance Administration Fund, the Premium Fund and the Program Stability Fund.

Governance, People & Culture Committee // 5 Committee Meetings

The Committee assists the Board of Directors by ensuring that RECO develops and implements an effective approach to corporate governance, enabling the business and affairs of RECO to be directed, implemented and managed to meet its mandate and its strategic and business planning goals and objectives.

The Committee also assists the Board by providing supports that allow members of the Board to maximize their contribution in the best interests of RECO through robust recruitment, orientation, onboarding and development.

Additionally, the Committee oversees the performance and evaluation of the Chief Executive Officer of RECO in a manner consistent with relevant RECO policy.

The Committee reviews, reports on and makes recommendations to the Board with respect to human resource management at RECO, including compensation matters, occupational health and safety, employee engagement, and human resources sustainability and succession planning.

Strategy and Organizational Performance Committee // 2 Committee Meetings

The Committee assists the Board of Directors in ensuring that RECO develops and implements an organizational strategic plan and an annual business plan.

Additionally, the Committee oversees the development and implementation of an organizational planning cycle, coordinating strategic planning, business planning, budget planning, sustainability considerations and risk management, and monitoring the performance of RECO against the goals and objectives in its strategic and business plans.

STATUTORY COMMITTEES*

Discipline Committee

The Committee conducts hearings pertaining to alleged breaches of the Code of Ethics referred to it by the Registrar. Discipline panels determine whether registrants have complied with the Code of Ethics.

Appeals Committee

The Committee hears, considers, and decides appeals related to Discipline Committee decisions.

*Members of the Board of Directors cannot be appointed to the Discipline Committee or the Appeals Committee.

OTHER

Registrar's Education Advisory Committee

The Committee provides advice to the Registrar on education-related matters. The Committee may also make recommendations regarding potential changes to educational requirements or policies related to education providers and approved subject areas in both the registration education and continuing education programs.

Industry Advisory Group

The Industry Advisory Group provides input to the Board on issues of importance to consumers. In addition, it provides RECO with observations and advice related to existing or emerging issues in the real estate sector; identifies potential enhancements in service delivery; and, provides input related to such other matters as RECO may request from time to time.



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