



Real Estate
Council of Ontario

Annual Report 2023





Table of contents

About RECO	1
Chair's message	3
CEO's message	5
Registrar's message	7
Strategic Plans	9
Report on objectives	10
By the numbers.....	15
Enforcing the standards required to obtain and maintain registration as a brokerage, broker, or salesperson	16
Establishing registrant education requirements, including pre-registration, post-registration, broker, and continuing education	17
Conducting inspections of brokerages to assess compliance with the law and to support brokerage compliance by educating brokers of record	18
Addressing inquiries, concerns, and complaints about the conduct of registrants and taking appropriate action to protect the public interest	19
Establishing and administering insurance requirements with a focus on protection of consumer deposits.....	26
Additional Information	28
Management's discussion and analysis	29
Independent Auditor's report	33
RECO's commitment to environmental, social and governance responsibility	55
Governance	56
Board of Directors.....	56
Board policies.....	57
By-law amendments	57
Upcoming changes	57
Board Committees.....	57
Statutory Committees.....	58
Other.....	58
Management.....	59



About RECO

The Real Estate Council of Ontario (RECO) regulates real estate salespersons (agents and brokers) and brokerages (collectively, registrants) in the province. We protect the public interest through a safe and informed marketplace. With more than 110,000 registrants, RECO regulates one of the largest sectors in Ontario. The Government of Ontario sets the rules that salespersons and brokerages must follow in the *Trust in Real Estate Services Act, 2002* (TRESA) and associated regulations.

RECO is a not-for-profit corporation that is delegated by the provincial government to administer and enforce TRESA, including its code of ethics for registrants. RECO is primarily funded by licensing fees paid by registrants. None of RECO's operations are supported by public funds.

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 RECO's 112,000 registrants.

RECO was established in 1997 as an Administrative Authority (AA) under the *Safety and Consumer Statutes Administration Act, 1996*.

RECO protects the public interest through:

- **Enforcing the standards** required to obtain and maintain registration as a brokerage, broker or salesperson.
- **Establishing registrant education requirements**, including pre-registration, articling, broker and continuing education.
- **Conducting inspections of brokerages** to ensure compliance with REBBA and to support brokerage compliance by educating brokers.
- **Addressing inquiries, concerns and complaints** about the conduct of registrants and taking appropriate action to protect the public interest.
- **Establishing and administering insurance requirements** with a focus on protection for consumer deposits.



Mission

To promote a 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.



Vision

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



Values

Model empathy and choose inclusivity

We act with respect, commitment and courage, engage with people empathically and consider their backgrounds and perspectives.

Be intentional in all actions

We act consciously and deliberately in our actions to achieve the most appropriate outcome.

Act with integrity

We act honestly and consistently, displaying fairness and equity in decision-making.

Embrace curiosity

We are inquisitive, taking an interest in ideas and perspectives of others, and are committed to continual improvement.

Be strategically agile

We make responsiveness a priority by monitoring our changing environment and being ready to act and modernize as needed.

Chair's message

As I conclude my first year as Chair, and having served on the Board since 2020, I am proud to look back on the accomplishments from the Board's oversight duties of the Real Estate Council of Ontario.

My fellow directors and I are keenly aware that the purchase or sale of a home may well be the largest and most significant financial decision most Ontarians will ever make. That's why it is so important that the real estate services sector has an effective regulator to govern the agents and brokerages that support these important transactions.

As demonstrated through the highlights listed below, RECO has provided strong oversight and strategic contributions to ensure that, as a regulator, we are delivering on our consumer-protection mandate.

2024-2026 Strategic Plan

The Board was pleased to provide oversight on the successful conclusion of the *2019-2023 Strategic Plan – Modern Regulation for a Dynamic Marketplace*. After five years of significant change in both market and environmental conditions, the Board engaged with management and stakeholders in the development of the *2024-2026 Strategic Plan: Innovative and Progressive* to chart a course that builds upon our successes to date. The Board will continue its vigorous oversight of the implementation of RECO's Strategic Plan and its annual Business Plan.

Taking action following the Auditor General's 2022 report

The Office of the Auditor General of Ontario (OAGO) conducted a value-for-money audit of RECO in 2022. The Auditor General's 2022 report included



Katie Steinfeld

a series of recommendations either wholly, or in part, directed to RECO. With the Board's support, management set an ambitious target to complete many of these action items in 2023. It is with a great deal of pride that I report that RECO has assessed its completed action items at 72 per cent by year-end. The remaining items for completion relate to longer-term initiatives, which RECO expects to complete by early 2026. This work serves to strengthen RECO's capabilities and improve its ability to deliver on its mandate.

Standing Committee on Public Accounts (SCOPA)

In November, I was pleased to join RECO's CEO and Registrar, as well as ministry representatives, at Queen's Park where we participated in a session of the Standing Committee on Public Accounts, at the committee's request following the Auditor General's report. Through this session, we shared RECO's progress and provided greater detail on the important work we do to protect Ontario consumers and support a fair and informed real estate market.



RECO has provided strong oversight and strategic contributions to ensure that, as a regulator, we are delivering on our consumer protection mandate.



Katie Steinfeld

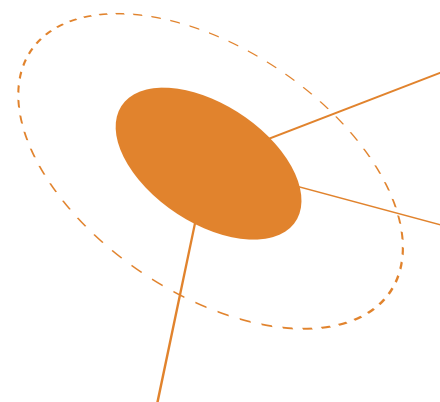
Changes in the Board structure (Minister's Orders)

The Auditor General's report recommended adjustments to enhance the Board's execution of its responsibilities in relation to oversight of the real estate industry and the protection of consumers. Diversity of thought, experience, and perspective are important. RECO's Board received orders from the Minister of Public and Business Service Delivery which, in part, related to the composition of the Board and selection of directors. Work has been underway to ensure these orders are implemented immediately following RECO's 2024 Annual General Meeting. This work has been challenging yet important, and I am incredibly proud of the work that has been undertaken to implement these important initiatives.

To my fellow Board members, I am extremely grateful for each and every one of your invaluable contributions. Your dedication, expertise and commitment to your oversight role have been instrumental to RECO's delivery of its mandate. Together, we have navigated complex decisions and upheld the highest standards of governance. I am honored to serve alongside such a talented and committed group of individuals. To our departing directors, your leadership and contributions have left an indelible mark on our board – thank you for your service. I look forward to continued collaboration with my fellow directors to achieve our shared goal of ensuring effective oversight of the real estate services sector.

RECO staff and directors

I want to acknowledge the tremendous strength of RECO's management team and staff, led by Chief Executive Officer Michael Beard, Registrar Joseph Richer, and Chief Operations Officer Brenda Buchanan. The Board is fortunate to be able to draw on their impressive knowledge of this sector and their commitment to acting in the public interest.



CEO's message

I am pleased to report on the progress and results made during another year of tremendous change in Ontario's real estate sector, including the implementation of changes to the *Trust in Real Estate Services Act, 2002* (TRESA) and its regulations.

TRESA: the most significant regulatory change in decades

The changes to TRESA and its regulations represent the most significant legislative and regulatory changes in the sector since the 1990s when buyer representation was introduced. These transformative legislative and regulatory changes did not materialize overnight; in fact, it has been many years in the making. We are particularly pleased that these changes address many of our recommendations, advanced through the tireless and unwavering advocacy of RECO's Registrar, Joseph Richer, and his team throughout this multi-year process. The RECO team's strong support of significant consumer protection initiatives — such as the introduction of designated representation, and the launch of the *RECO Information Guide* for consumers — will strengthen Ontario's real estate sector today and for years to come.

Significant enhancements for RECO and for our sector

RECO strives for continual improvement in all that we do. I am pleased to report that we continue to make important progress against our Business Plan objectives, which are outlined in greater detail throughout this Annual Report.



**Michael
Beard**

RECO was able to deliver on these objectives in addition to implementing one of the most challenging array of projects I can recall since joining RECO.

The work to support the industry and consumers with the implementation of the changes to TRESA and its regulations represents a massive effort; it involved people at every single level of our organization working to learn quickly while also developing relevant information for registrants and supporting consumers. Our recent registrant survey identified that RECO continues to be the primary source of information for most registrants, in addition to being the most trusted source — by a wide margin. This is a significant credit to RECO staff, who work so diligently to support real estate agents and brokers. We will continue to look for ways to strengthen our information delivery to the industry to support registrants in their work with consumers.

We also undertook a significant recalibration of our website, providing a more user-friendly experience and updated content. We launched this to align with the implementation of legislative and regulatory changes on December 1, 2023.



Our recent registrant survey identified that RECO continues to be the primary source of information for most registrants, in addition to being the most trusted source — by a wide margin.



Michael Beard

At the same time, RECO also made significant strides in its implementation of the recommendations from the Auditor General's 2022 report. Many of these initiatives were identified in its annual Business Plans — including the introduction of an enhanced inspection model and schedule along with a consumer guide. To have completed these important initiatives while also managing significant regulatory change has been truly rewarding, as they represent important progress against the goals we have set. RECO has been pleased to provide ongoing updates of our progress on our website.

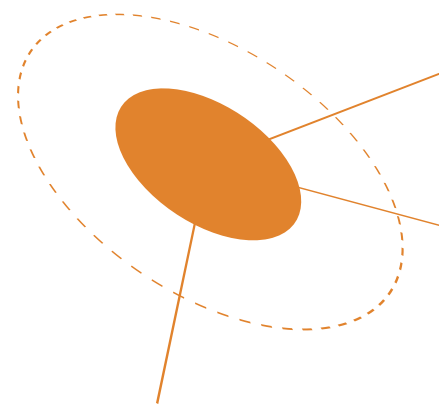
Prudent financial management

As a not-for-profit organization with registrant fees as our most significant source of revenue, RECO is keenly focused on prudent fiscal management. While 2023 saw the organization successfully complete important initiatives such as the implementation of change to the laws, our approach to business planning, budgeting and cost management saw us conclude the year in a strong financial position, which was further bolstered by healthier investment returns than anticipated.

Further to the review of reserves identified in the 2021 Annual Report, RECO announced significant long-term reductions in fees for registrants in 2022; this fee reduction was implemented on March 1, 2023. These fee reductions were designed to draw down on our excess reserves to meet our policy targets. As a result, we expect RECO will shift into a planned deficit position by 2025.

Looking ahead

This year truly underscored our strategic goal of creating a resilient organization. I am exceptionally proud of the entire staff for all they have been able to accomplish this year in our shared commitment to consumer protection.



Registrar's message

Significant changes to the laws that govern those who trade in real estate in Ontario came into force in 2023.

The changes represent advances for consumer protection in the Ontario real estate sector, and while there are many, of particular significance are:

- The clarification of how consumers engage with brokerages as either a client, or a self-represented party, including the elimination of the “customer” relationship removing ambiguity.
- The introduction of designated representation, which allows agents to support and advise their clients the way clients expect and reduce the frequency of multiple representation.
- The introduction of the mandatory *RECO Information Guide*, which offers a plain-language explanation of the rights and responsibilities of all parties.
- Enhanced disclosures to parties that brokerages engage with, offering a clear understanding of risks and responsibilities for those who opt to forgo working with a real estate agent.

RECO is very proud of its efforts to advocate for the changes that enhance consumer protection.

Helping registrants stay informed through change

Once the changes to the law were confirmed in July 2023, RECO had a few months to communicate the changes to registrants.

As planned, in 2023 we launched a new learning management system for our registrant continuing education program, providing greater agility in adding and updating content, as well as a better overall user experience. We launched the



Joseph Richer

2024 Update Course: Introduction to TRESA in November 2023, to offer registrants an opportunity to access a comprehensive explanation of the changes to the law and their opportunities and obligations. To support registrants' understanding of the changes, RECO launched a video series early in 2023, followed by many bulletins leading up to changes coming into force.

We continue our journey to advance registrant education in 2025, as we prepare to move toward an open market with an expanded roster of approved educational institutions to begin delivering the salesperson and broker education programs in 2025.

Enforcing the rules in the public interest

The entire team at RECO is proud of the work we do to protect consumers and the public interest. There are more than 112,000 real estate agents, brokers, and brokerages in Ontario, and I am proud to say that they have a high level of compliance with the laws governing their conduct.



The changes represent advances for consumer protection in the Ontario real estate sector, (like) the introduction of the mandatory *RECO Information Guide*, which offers a plain-language explanation of the rights and responsibilities of all parties.

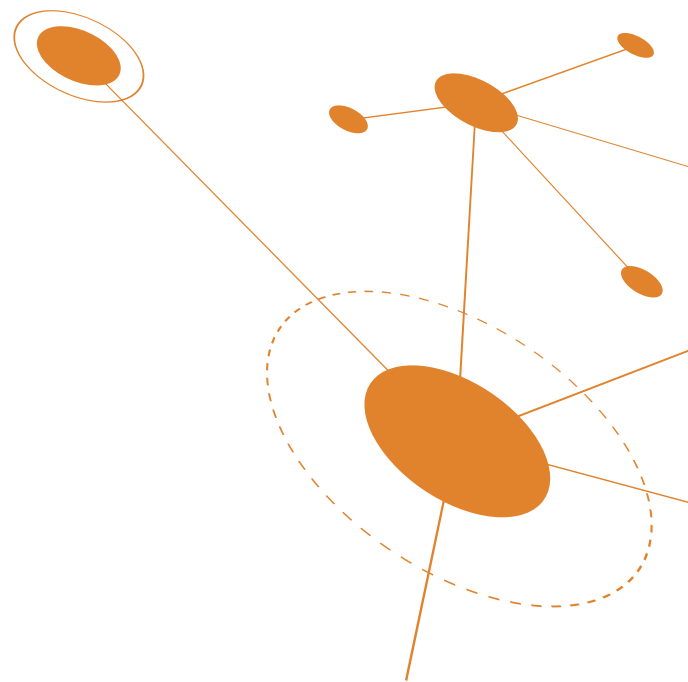


Joseph Richer

As a regulator, these points highlight the impact of our high professional standards, and our ongoing continuing education requirements. In those unlikely circumstances where a registrant breaks the law or puts their own interests ahead of their client, RECO can, and will take action to enforce the rules and protect Ontario consumers. We have completed important work that will enhance our capacity in this area, including the launch of a new risk-based inspection model. In addition, in this Annual Report we will begin reporting on a more detailed analysis of complaint trends so that we can better identify and address the issues in an attempt to reduce the frequency of the underlying behaviour that led to the more common complaints.

Following a successful pilot of an approach to resolve more common types of misconduct, I am proud to report that RECO has implemented the program for any matter that qualifies. The approach allows those who would otherwise face disciplinary sanction for their misconduct to accept a sanction similar to that which they would receive from the Discipline Committee, and have it published on the public register, but resolve the matter swiftly. Using fewer staff resources allows RECO to use its resources more effectively and efficiently.

It is thanks to the tremendous efforts of RECO staff that we have been able to achieve so much in 2023. This past year required a huge commitment at every level of the organization to deliver on our ongoing business commitments while supporting the introduction of new laws. I am proud of our collective successes and look forward to building on this together in the year ahead.



Strategic Plans

RECO has concluded its 2019-2023 Strategic Plan and now begins 2024 by embarking on a revised strategy.

Strategic Plans set out the goals the Board has given to RECO management and staff.

Strategic Plan 2019-2023: Modern Regulation for a Dynamic Marketplace

- **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**

The Strategic Plan served the organization well in continuing to modernize its approach to regulating the real estate sector.

Strategic Plan 2024-2026: Innovative and Progressive

Building on the progress under our previous plan, the 2024-26 strategy includes some updated objectives as we adapt to the evolving demands of society and the market.

- **Strategic Goal #1: Deliver Innovative, Progressive Regulation**
- **Strategic Goal #2: Advance an Informed Real Estate Market in Ontario**
- **Strategic Goal #3: Enhance the Organization's Resilience and Agility**

Next steps

RECO will actively move forward on its Business Plan initiatives, which are guided by the 2024-2026 Strategic Plan, and will begin reporting on achievements in the 2024 Annual Report.

The detailed initiatives to implement the 2024-2026 Strategic Plan are set out in RECO's 2024 Business Plan.

Both can be found on [RECO's website](https://www.reco.on.ca).





Report on objectives

Each year, RECO establishes objectives in its annual Business Plan, in support of the overarching goals set out in its 2024. We are pleased to report on the progress against our 2023 objectives.

Strategic Goal #1: Deliver innovative, progressive regulation

OBJECTIVE: Create relevant data sets for regulatory compliance and design practices with the necessary analytical capability to extract insights from the data.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Finalize organizational data strategy and associated policies.	<ul style="list-style-type: none">Reviewed existing data sets over the year to allow for enhanced reporting. Analysis and development will continue in 2024 before completing the overall initiative.
Identify new data sets required to improve collection and analysis to provide greater management reporting.	<ul style="list-style-type: none">RECO modernized its complaint classification system to enable better data and information extraction. This will allow RECO to more effectively use data to identify systemic issues and trends, and facilitate corrective action where needed. Systemic issues or trends identified will help to inform business planning operations for regulatory compliance, stakeholder relations and education.Established new benchmarks and standards for monitoring the progression of investigations.Introduced new templates and control measures in the new audit and inspection program. This enables more accurate monitoring of levels of brokerage compliance, facilitates the development of action plans to address areas of concern, and informs how inspections are prioritized. It also provides for a consistent standard of inspections across the organization.

OBJECTIVE: 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.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Develop and implement a revised inspection model that takes a risk-based approach to the scheduling and scope of inspections.	<ul style="list-style-type: none">Implemented a new audit and inspection program, which applies a risk-based approach to both inspection scheduling, and the type of inspection to be conducted. Applying both a proactive and a responsive strategy, the new program prioritizes inspector efforts on brokerages presenting higher risk to consumers while also maintaining a regular inspection cadence.

OBJECTIVE: Advocate for reform of REBBA to create more modern and flexible legislation that allows us to successfully achieve our mission, even as our environment changes.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Implement and communicate legislative changes, including updated education programs, IT system changes, and web content updates.	<ul style="list-style-type: none">• Implemented process and policy changes to fulfill obligations under the revised legislation.• Supported registrant understanding and compliance through the release of four pre-implementation videos summarizing the key changes under TRESA.• Issued more than 20 new bulletins addressing key changes under TRESA to support agent understanding of their legal obligations and comply with the new requirements.• Developed and released a Continuing Education course focused on the legislative changes to further support agents to meet their obligations under TRESA.• Launched a new website on a more user-friendly platform that promotes alignment with changes to the law.• Provided internal training for staff to promote a shared understanding of the changes under TRESA and the impact on day-to-day activities.
Advocate for future legislative changes.	<ul style="list-style-type: none">• Successfully advocated for the introduction of designated representation as an alternative to brokerage representation in Ontario. This formed part of the changes to the law that took effect December 1, 2023.

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

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Develop content management strategy for the Continuing Education (CE) program.	<ul style="list-style-type: none">• Replaced the learning management system (LMS) to enhance and modernize the learner experience, which provided a greater capacity to support registrants and their needs.• Released the <i>2024 Update Course: Introduction to TRESA</i> in November 2023. The course gave learners a detailed review of the changes to deepen their knowledge before changes came into force on December 1, 2023.

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

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Implement agreements with alternate service providers to allow an open marketplace for registration education program delivery.	<ul style="list-style-type: none">• Launched the process for educational institutions to apply to be providers in a future open market.• Developed and implemented internal process for multiple education provider application approval.

OBJECTIVE: Increase data access from internal & external sources.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Increase access to data of all types, including data generated and collected by RECO directly and by other organizations, including government.	<ul style="list-style-type: none">• With the changes to the law coming into effect in December 2023, this initiative was deferred and has been reflected in the 2024 Business Plan.
Continue data-management efforts to enhance data-driven decision-making to support its approach to being a modern regulator.	<ul style="list-style-type: none">• The data management initiative is ongoing, with enhancements continuing under the 2024 Business Plan.

OBJECTIVE: Increasing registrant competency on issues related to regulations, consumer protection, and professionalism.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Provide guidance for registrants on professional standards to promote professionalism and consumer protection through updates related to REBBA, and other issues that might arise that require support through bulletins or newsletter articles.	<ul style="list-style-type: none">• Continued to enhance engagement and communications activities with registrants on all topics through bulletins, newsletters, social media, and email communications. Extensive TRESA-related materials were delivered in the second half of the year.
Publish a newly-developed national competency profile for real estate salespersons and brokers. Assess salesperson and broker education programs using the competency profiles to identify training gaps and opportunities for registrants.	<ul style="list-style-type: none">• The competency profile was published in 2022 and continues to be referenced to identify gaps in training and to provide learning opportunities for registrants.• All new courses will be assessed and mapped to the competency profile and identified in this way on the learning management system.

OBJECTIVE: Evaluate and enhance the preparedness of registrants upon entering the profession.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Assess and promote registrant practice readiness upon entry to the profession.	<ul style="list-style-type: none">• Sent quarterly surveys in 2023 to registrants within the first six months of their registration to evaluate their ability to practice real estate based on key application concepts covered in the Real Estate Salesperson Course. The majority of those surveyed either agreed or strongly agreed that their educational experience prepared them for practice at the onset of their career.
Develop structure to support an open market for direct-entry programs for agent and broker registration which would involve entering agreements with alternate service providers.	<ul style="list-style-type: none">• Built the structure to support the oversight of an open-market for direct-entry programs for salesperson and broker registration education. The application process will close in early 2024.

Strategic Goal #2:

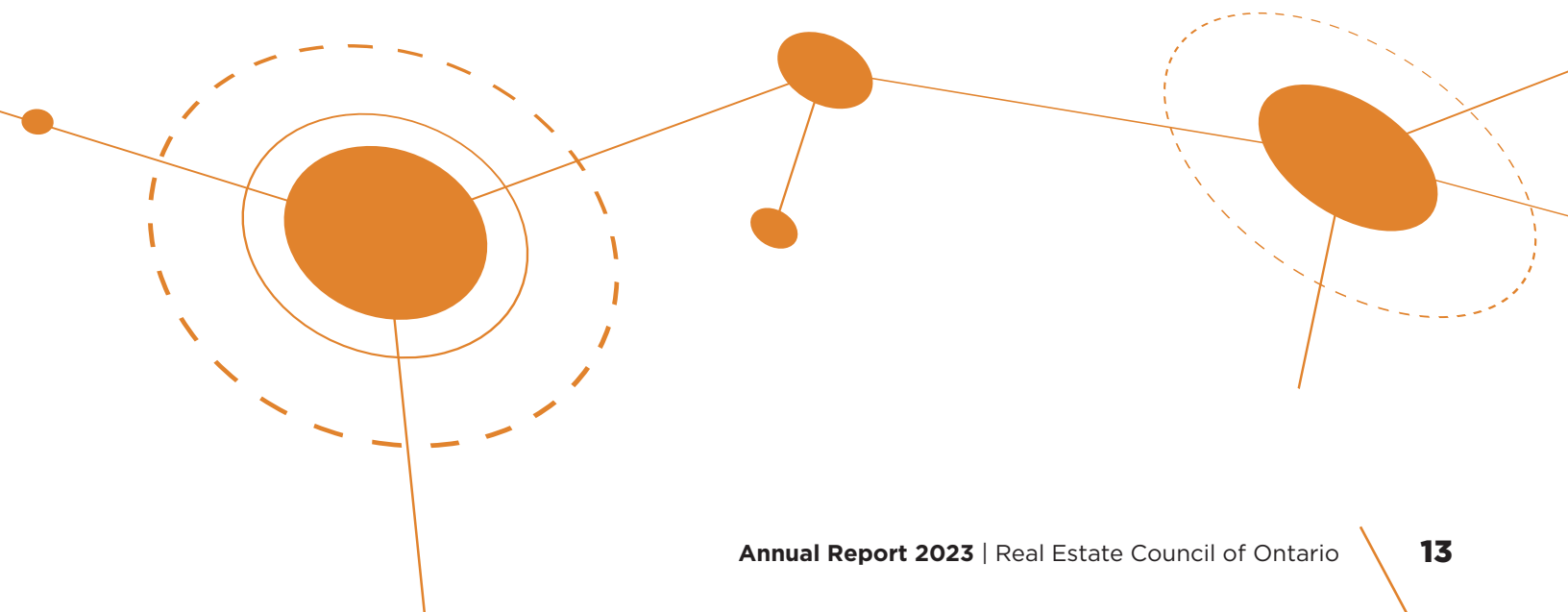
Support an informed real estate market in Ontario

OBJECTIVE: 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.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Launch the information guide for consumers to be delivered by registrants as is the regulatory requirement.	<ul style="list-style-type: none">Produced a plain-language information guide that agents are now required to provide to buyers and sellers before providing services or assistance. The guide contains information about respective rights and responsibilities of clients and brokerages, the risks of a buyer or seller proceeding without representation, what buyers and sellers need to understand about multiple representation before they agree, and the key content in representation agreements.

OBJECTIVE: Develop and deliver a focused brand-enhancement strategy to raise RECO's profile among consumers.

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Develop and deliver a focused brand-enhancement strategy to raise RECO's profile among consumers.	<ul style="list-style-type: none">Launched an external brand review, with a specific focus on brand positioning. Implementation of a brand-enhancement strategy will be delivered in 2024.Increased awareness of RECO website to consumers and registrants by using tools such as Google Ads and other search engine marketing initiatives.Continued to modernize use of social media as an engagement tool, including shifts in social media paid campaigns which led to increased engagement (210,000 vs. 134,000 in 2022).<ul style="list-style-type: none">Given significant TRESA-related communications activities, the expansion to any new social media platform has been deferred to 2024.

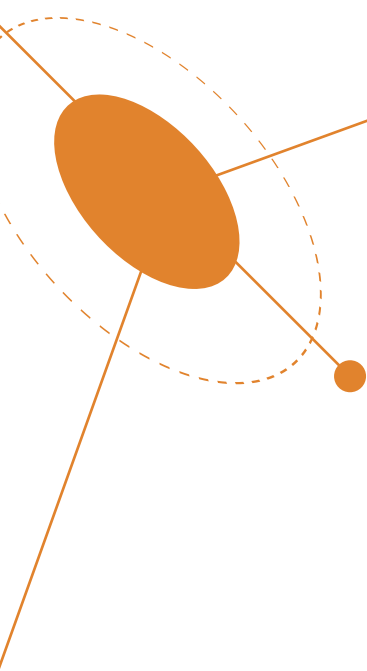


Strategic Goal #3:

Create a resilient and agile organization

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

2023 PROJECT/INITIATIVE	2023 ACCOMPLISHMENT
Identify and implement further process automation processes, to continue to reduce burden on business, and become a more environmentally responsible organization.	<ul style="list-style-type: none">Enhanced internal and external engagement through digital transformation tools to enhance productivity across the business.Implemented further paperless processes and continued to roll out initiatives to staff and registrants, which reduced the environmental impact of our business.
Continuous improvement to IT infrastructure, addressing current trends particularly regarding security, efficiency and service.	<ul style="list-style-type: none">Continued digital transformation initiatives, including optimizing our services through increased leverage of cloud tools.Optimized security capabilities by introducing enhanced security monitoring, network maintenance and monitoring. These enhancements will provide greater security across all devices and cloud-based services to ensure we are continuing to evolve.



Additional item: Auditor General's Report

RECO has made considerable progress on the recommendations in the 2022 Auditor General Report and related action items. After establishing an ambitious target for 2023, by year-end RECO had completed 72 per cent of its items. The remainder, some of which relate to longer-term initiatives, are expected to be completed through 2024 and 2025, with all completed by early 2026.¹

RECO releases a quarterly [Public Action Plan](#) that provides ongoing updates on progress against recommendations.

¹ The status of these action items is based on RECO's self-assessment; a final assessment will be completed by the Auditor General of Ontario.



By the numbers

RECO protects the public interest through:

- **Enforcing the standards** required to obtain and maintain registration as a brokerage, broker or salesperson.
- **Establishing registrant education requirements**, including pre-registration, articling, broker and continuing education.
- **Conducting inspections of brokerages** to ensure compliance with REBBA and to support brokerage compliance by educating brokers.
- **Addressing inquiries, concerns and complaints** about the conduct of registrants and taking appropriate action to protect the public interest.
- **Establishing and administering insurance requirements** with a focus on protection for consumer deposits.

Enforcing the standards required to obtain and maintain registration as a brokerage, broker, or salesperson

Registration

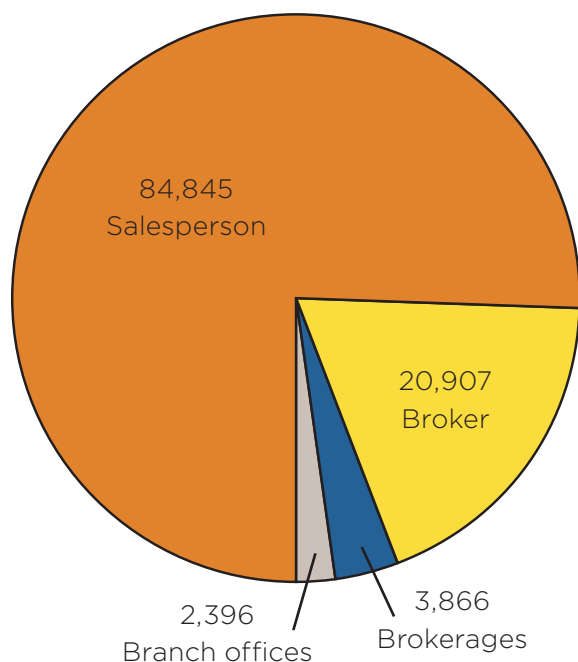
RECO assesses each applicant's eligibility to obtain and maintain registration as a brokerage, broker or salesperson based on legislated requirements.

At year-end, RECO had 112,014 registrants, an increase of 2 per cent over the prior year.

NUMBER OF REGISTRANTS

2021	2022	2023
104,339	109,627	112,014

TOTAL REGISTRANTS BY CATEGORY



TOTAL REGISTRANT TRANSACTIONS BY TYPE

Type	2021	2022	2023
Renewals	39,037	44,949	46,118
Transfers	12,206	12,715	13,334
New	12,787	9,131	7,556
Termination	3,891	4,907	5,785
Reinstatement	2,721	3,388	4,645
Revisions	3,315	3,129	2,987
Category changes	3,782	1,137	674

REGISTRATION APPLICATION PROCESSING*

Application	Target	2023
New salesperson applications		
• processed within eight business days	> 80%	99%
Salesperson/broker renewal applications		
• processed within eight business days	> 80%	93%
Reinstatement applications for brokers and salespersons		
• processed within eight business days	> 80%	100%
New business applications		
• processed within 15 business days	> 80%	96%

* Standards are for non-complex applications and assume all required supporting documentation was provided with the application.

Establishing registrant education requirements, including pre-registration, post-registration, broker, and continuing education

RECO’s education program promotes continual learning and competent, knowledgeable, and professional conduct.

New registration education

Before becoming salespersons, 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 salespersons are more practice-ready upon entry into the profession.

In 2023, a total of 15,293 started the pre-registration program, while 7,287 completed the program. For post-registration programs, 6,711 began the program with 6,159 completing it.

Continuing Education (CE) for all registrants

Ongoing education is vital to fostering a safe and informed marketplace for consumers and, as such, salespersons and brokers are required to complete specific RECO training during their two-year registration cycle to be eligible to renew their registration.

Traditionally, the program has required a combination of electives and a single mandatory course every two years, but RECO has adjusted this approach to require two annual mandatory courses, which allows RECO to produce more timely content for registrants.

In early 2023, as part of its ongoing digital transformation initiatives, RECO transitioned to a new learning management system (LMS) platform. In anticipation of this shift and to manage the impact to registrants, RECO encouraged registrants to complete outstanding courses prior to the scheduled transition blackout.

Additionally, at the end of 2023, RECO’s *2024 Update Course: Introduction to TRESA* was released to support registrants to understand the changes to the law.

RECO saw an increase in course completions compared to 2022, as a result of an increase in registrants as well as the requirement to complete two annual update courses instead of one in an individual registrant’s registration cycle.

CE COURSE COMPLETIONS		
2021	2022	2023
109,067	119,081	147,658

RECO also saw a continued strong positive response from registrants who participate in surveys after course completion.

RECO surveyed 78,391 registrants about their experience with the online CE program.

CE SURVEY RESULTS: ALL COURSES – 2023	
Question	Agree/Strongly agree
The course was organized in a manner that helped me understand the underlying course concepts.	97%
The course activities increased my knowledge of the course material.	96%
The course increased my knowledge in regulatory compliance and industry issues.	96%
The course activities were engaging.	95%
I would recommend this course to other registrants.	87%
The course activities were challenging.	75%

Conducting inspections of brokerages to assess compliance with the law and to support brokerage compliance by educating brokers of record

Inspections

RECO launched a new audit and inspection program in the fall of 2023. The new program applies a risk-based approach to both inspection scope and scheduling. By applying both proactive and responsive strategies, brokerages receive an appropriate level of inspection engagement, where inspections of brokerages presenting higher levels of non-compliance or risk of consumer harm are prioritized, while a routine inspection schedule for all brokerages is still maintained.

RECO's new inspection program deployed new types of inspections that assess brokerage management and operations compliance with legislative obligations. These include:

- **New brokerage:** a broad scope, education-focused inspection fostering awareness and understanding of brokerage compliance obligations.
- **Trust reconciliation:** a review of the real estate trust account records to verify brokerage compliance in handling of trust monies, including completion of monthly trust reconciliations.
- **Financial and trade records compliance:** analysis of all brokerage accounts including trust reconciliations, brokerage management records, and trade files.
- **Complaint-initiated:** an inspection focused on the substance of a complaint.
- **Non-trading verification:** a detailed examination employed when a brokerage attests that it has not participated in any trading activities since its last RECO inspection.
- **Requested:** an inspection conducted upon request of the brokerage/broker of record.

The total number and type of inspections is returning to historic levels (pre-pandemic). Trust reconciliations were the primary type of inspection during the pandemic because they can be done remotely. Trust reconciliation inspections generally take less time to complete, so more can be completed, as was the case during the pandemic.

NUMBER OF INSPECTIONS COMPLETED

2021	2022	2023
1,384	777	888

NUMBER OF INSPECTIONS BY CATEGORY

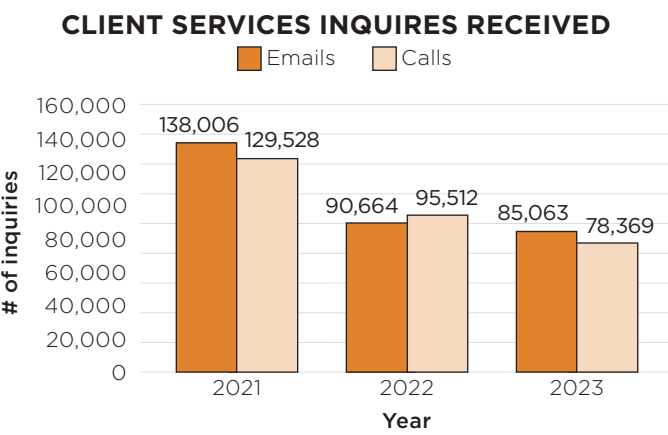
Category	2021	2022	2023
Financial & trade analysis	108	189	346
Trust reconciliation	1,253	495	419
New brokerage	15	83	113
Complaint	8	10	10

In 2023, RECO completed a re-inspection of 58 brokerages.

Addressing inquiries, concerns, and complaints about the conduct of registrants and taking appropriate action to protect the public interest

Inquiries

RECO receives thousands of inquiries every month in the form of calls and emails.



RECO’s goal is to answer calls within an average wait-time of two minutes or less, and in 2023, was well within this target with an average call wait time of 52 seconds.

AVERAGE CALL WAIT TIME IN MINUTES		
2021	2022	2023
3:56	1:26	0:52

Complaints

RECO assesses each complaint it receives. The process outlined on [page 22](#) applies to complaints about conduct that took place on or before November 30, 2023; an updated process, which reflects complaints about conduct that took place after November 30, 2023 is available on [RECO’s website](#).

How RECO handles complaints

When RECO receives a complaint, the team first determines if it has the authority to address the matter. If RECO does not have enough information to determine if it has the authority to address the matter, complainants will be asked to provide more information or additional documents.

If RECO determines it has the authority to address a complaint and enough evidence has been provided to support further investigation, complainants are notified that the complaint is being progressed.

If RECO does not have the authority to address the matter, complainants will be advised that no further action will be taken by RECO. If another regulator or organization has the authority to address the matter, RECO will also provide that information.

In 2023, RECO took administrative action — such as a warning or an order for the registrant to take one or more courses — on 49 per cent of complaints closed, while eight per cent proceeded to prosecution (discipline, provincial offence, proposal). As outlined above, RECO took no action on 43 per cent of complaints after determining the complaint was either outside of RECO’s authority (and may be referred to another agency as appropriate), was not a breach of the law, or was not supported by evidence.

In 2023, RECO opened 1,720 complaints, 18 per cent fewer than in 2022, which correlates to fewer real estate transactions in Ontario. A total of 1,551 complaints were closed, 37 per cent fewer than in 2022. This lower rate of closure reflects significant staff training efforts to support the implementation of changes to the law, process enhancements, and the onboarding of new staff.

Complaints opened vs. closed	2021	2022	2023
Opened	2,524	2,106	1,720
Closed	2,674	2,445	1,551

Number of active complaints at year-end	2021	2022	2023
Active complaints	561	222	391

RECO was able to return to, and eventually exceed, its service standard of closing files within an average of 110 days.

Average number of days to close complaints	2021	2022	2023
Days	137	124	74

The source of complaints has remained relatively consistent over the past three years, with the majority coming from consumers.

Complaints made by consumers vs. registrants vs. other	2021	2022	2023
Consumers	74%	73%	74%
Registrants	24%	24%	24%
Other	2%	3%	2%

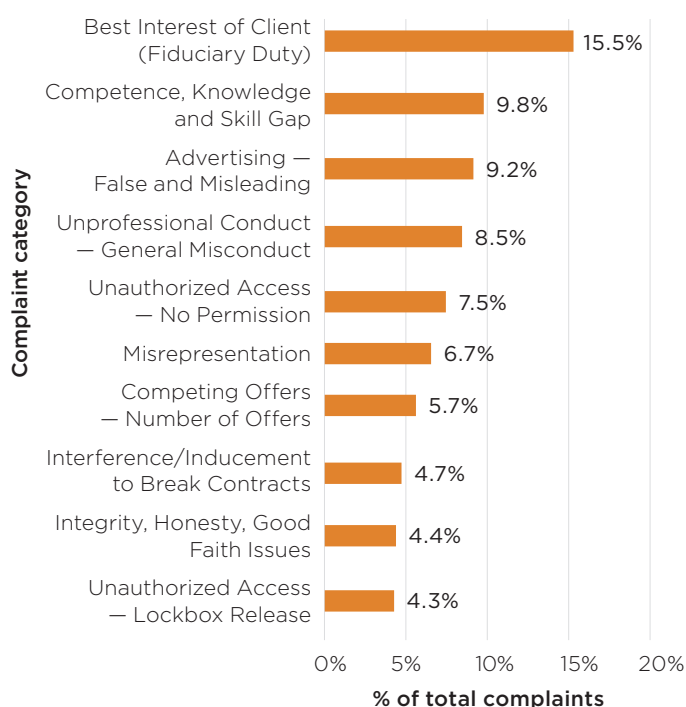
Complaint categories

Effective oversight of the real estate sector is critical to support consumers engaging with agents in what may be their largest financial transaction. Registrants in Ontario are required to provide ethical, competent, and professional service to their clients, and to act with honesty and integrity with anyone they engage.

RECO enhanced its complaint categorization process in 2023, to leverage a broader set of data that will better enable us to identify and monitor issues or systemic trends.

Each year, RECO publishes the top ten complaint categories, and provides information to registrants in key areas. The data below is based on complaints closed, and a single complaint can involve multiple categories.

TOP 10 COMPLAINT CATEGORIES 2023



Complaint trends

As part of its consumer protection mandate, RECO also analyzes complaint data to identify emerging trends and to leverage that data to support education and compliance.

In 2023, RECO also revised its approach to tracking specific complaint areas for trend analysis and increased focus. A trend may be identified as a complaint category that has increased or decreased over a number of quarters; it may also be a relatively new or emerging issue.

RECO's immediate area of focus is Best Interest of Client (Fiduciary Duty) — the largest complaint category, representing 15.5 per cent of total complaints closed in the year.

Complaints in this area may indicate a lack of understanding by some registrants of their obligations to protect and promote the best interests of their client. This can be seen in complaints regarding agent mishandling of the offer process, not disclosing fees or other payments they are receiving in relation to the trade, breaching confidentiality of the client's information, or lack of due diligence.

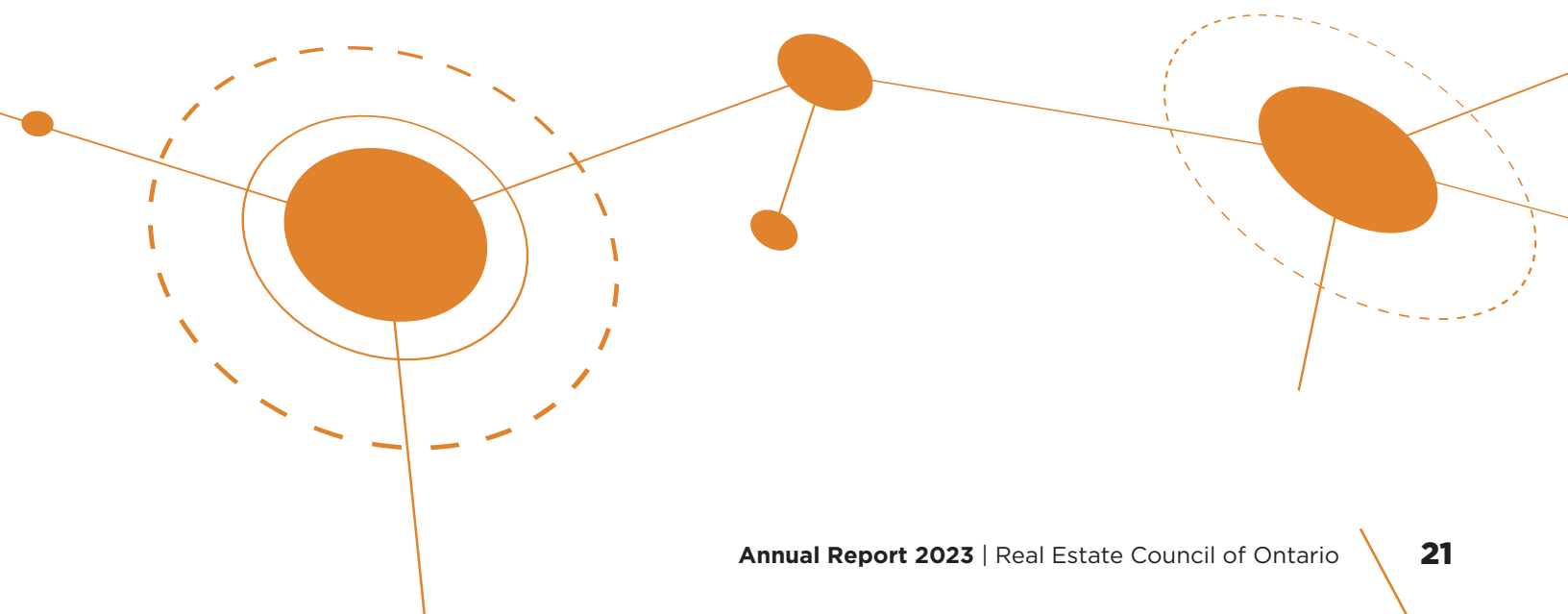
While this complaint category is not growing compared to prior years, its prevalence is at the core of a registrant's duty to his or her client, and on that basis, it has been identified as an area of focus for 2024.

It is possible that important consumer-protection measures and clarification of registrant obligations as part of the changes to the law that came into effect December 1, 2023 — including a renewed attention to clients, the removal of the customer relationship, and improved disclosures, consents, and acknowledgments — will, over time, assist in curbing conduct resulting in these types of complaints.

At the same time, RECO will work to reduce the occurrence of such complaints over time, considering the impact of the changes to the law and additional measures including:

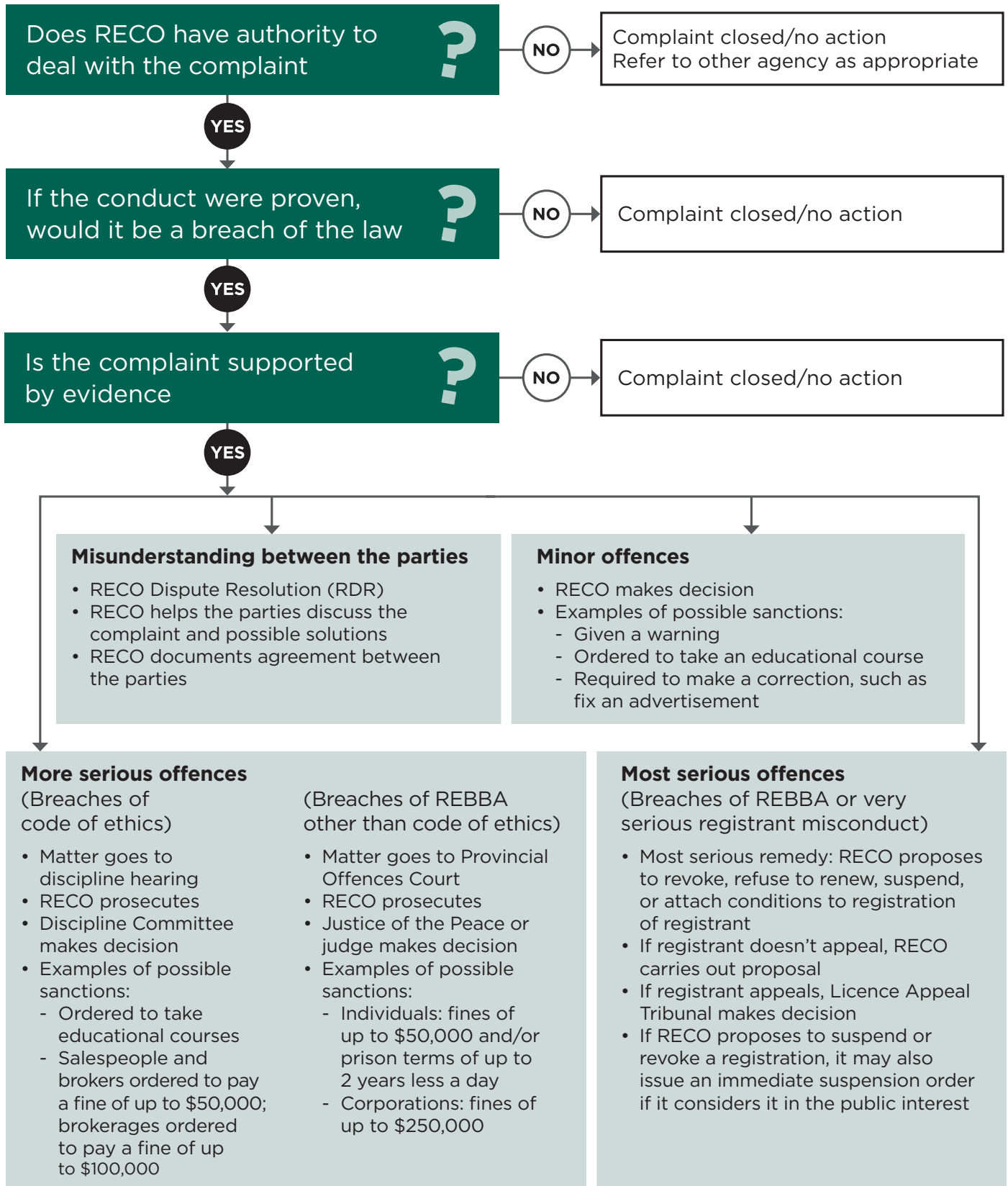
- New and updated *RECO Bulletins*, including two specifically dedicated to representation and representation agreements. These bulletins will provide registrants with guidance and clarity on the compliance requirements and a reminder of the importance of maintaining best interest and quality representation.
- Incorporating content in its *2024 Update Course: Introduction to TRESA*, and content in other courses.
- Additional sector communications on this topic using specific complaint examples to help registrants understand proper conduct.

Following the development and implementation of such a strategy, it will also take time for adoption by registrants.



This process applies to complaints about conduct that took place on or before November 30, 2023.

RECO assesses each complaint it receives



Investigations

RECO’s Investigations Program provides support across the organization for matters that require additional action.

Investigations opened vs. closed	2021	2022	2023
Opened	121	109	88
Closed	134	73	120

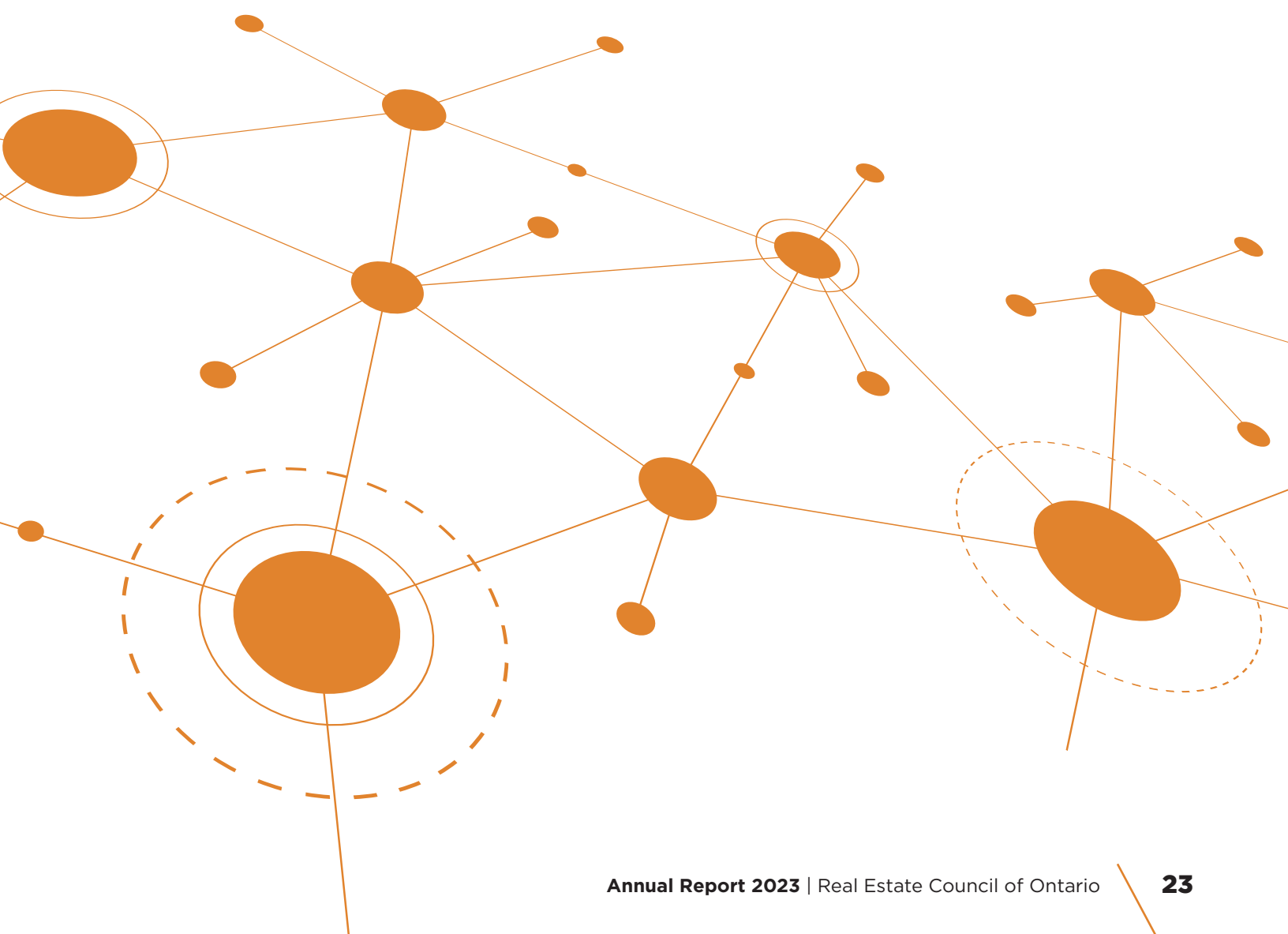
Enforcement

RECO acts quickly when there is evidence of misconduct.

Depending on the conduct, violations may be prosecuted in one of three paths:

- RECO’s Discipline Committee
- Provincial Offences Court
- Proposal to revoke, refuse or suspend a registration

Discipline procedures initiated vs. concluded	2021	2022	2023
Initiated	97	82	94
Concluded	90	132	91



Discipline Committee and Appeals Committee

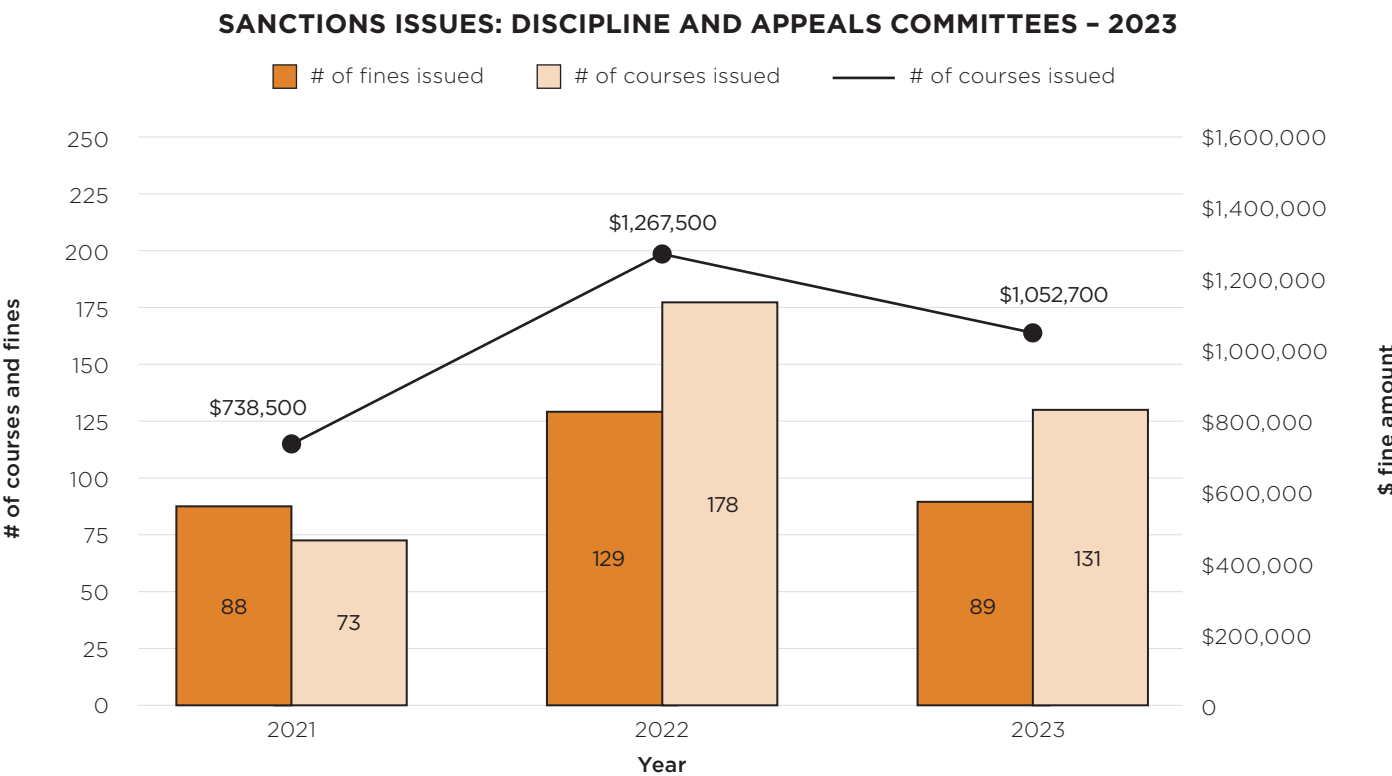
RECO’s Discipline Committee² and Appeals Committee³ are tribunals subject to TRESA, the *Statutory Powers Procedure Act* of Ontario and other applicable legislation.

Complaints involving alleged breaches of TRESA or its regulations may be referred to the Discipline Committee for a hearing. A discipline procedure is initiated when an allegation statement is issued for breaches of TRESA or its regulations. A matter is closed when a decision is released by either the Discipline or Appeals Committee, though it can be appealed.

In 2023, 91 cases were concluded through RECO’s Discipline and Appeals Committees. The Discipline Committee ordered \$1,052,700 in fines. There were three appeals heard.

Appeals hearings held	2021	2022	2023
Number of appeals	4	1	3

For conduct occurring prior to December 1, 2023, Discipline Committee authority was limited to alleged violations of the REBBA Code of Ethics. For violations of other provisions of the Act or regulations, prosecution under the *Provincial Offences Act, 1990* (POA) would be pursued.



2 The scope of the Discipline Committee changed as of December 1, 2023, to consider alleged breaches of TRESA and its regulations, rather than just the Code of Ethics.

3 Appeals of matters that occur on or after December 1, 2023, will be heard by the Licence Appeal Tribunal rather than RECO’s Appeals Committee.

Provincial Offences Act, 1990 prosecutions

RECO investigates alleged breaches of TRESA or its regulations, which might lead to charges being laid under the POA.

Provincial offence charges are heard in provincial court. RECO is responsible for laying charges in such cases and for prosecuting the matters which are considered by the Superior Court of Ontario.

The outcomes of prosecutions are published on the RECO website.

Provincial Offence Prosecutions	2021	2022	2023
Prosecutions**	11	10	22
Convictions***	11	6	16
Total fines	\$85,000	\$15,000	\$118,000
Total restitution	\$35,000	\$0	\$0

** Prosecutions are the number of persons (registered or unregistered individuals or corporations) charged.

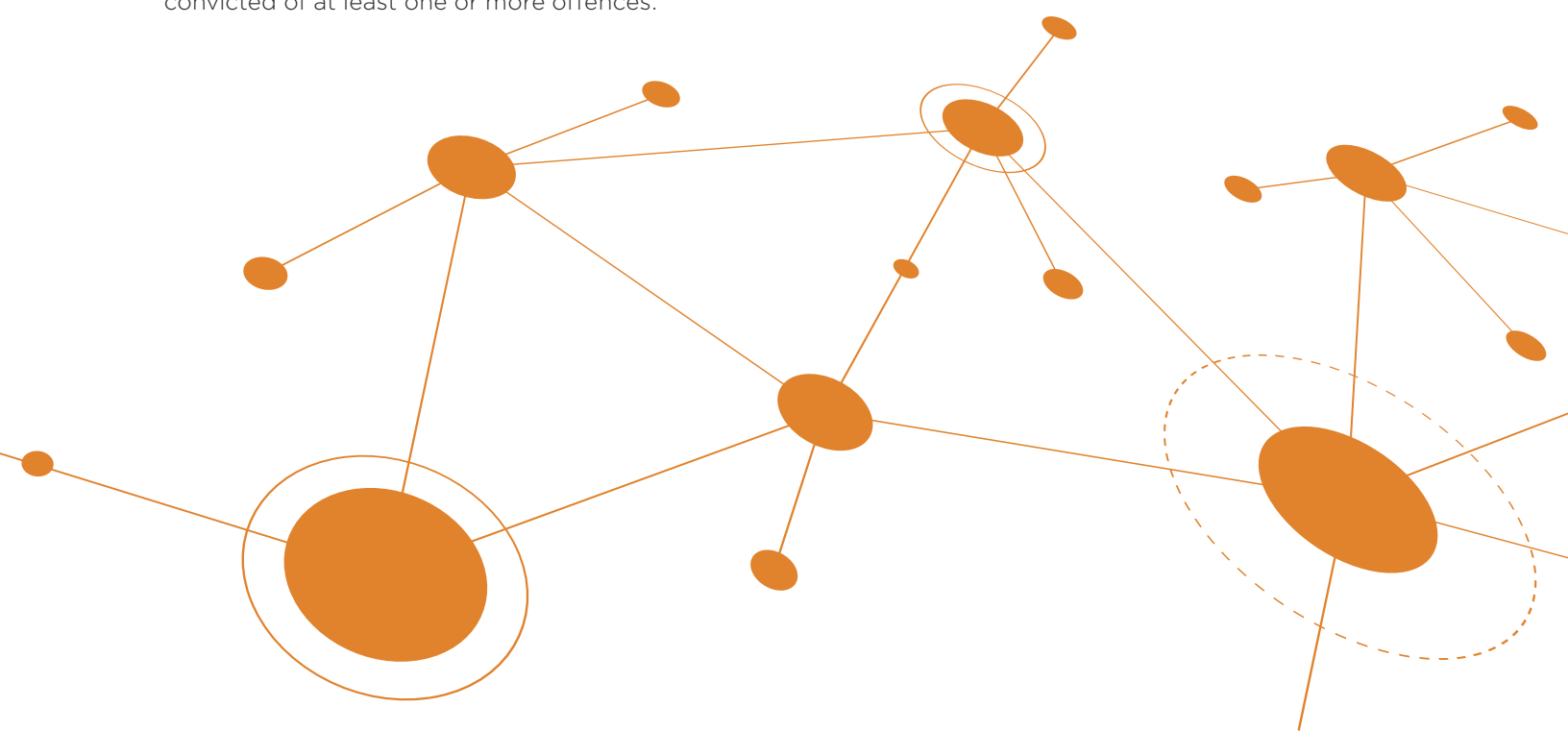
*** Convictions are the number of persons (registered or unregistered individuals or corporations) convicted of at least one or more offences.

Proposals to refuse, revoke or suspend a registration

The authority to propose to refuse, revoke, or suspend a registration is a critical component of RECO’s enforcement activities.

A revocation is the most severe action RECO can take where a registrant is involved and is reserved for the most serious of circumstances.

Number of proposals issued	2021	2022	2023
To refuse, revoke, suspend, or apply conditions to a registration	17	15	18
Due to non-payment of insurance premiums	19	41	54



Establishing and administering insurance requirements with a focus on protection of consumer deposits

Insurance

RECO introduced the professional liability insurance program on September 1, 2000, aiming to provide protection to both consumers and registrants. All registrants are required to participate in the insurance program, which consists of three types of coverage:

Consumer deposit insurance

Protects consumers against loss of deposits due to fraud, misappropriation of funds, or insolvency by a registrant. It also covers social engineering fraud resulting in the misdirection of funds. From its inception in 2000 to December 31, 2023, there have been 127 occurrences with estimated payments for claims (settlements and expenses) reaching \$8,968,609⁴.

Errors and omissions coverage

Provides up to \$1,000,000 to indemnify consumers for losses incurred as a result of errors or omissions by registrants during the course of their professional services. Most of the activity in the insurance program arises from claims under the errors and omissions insurance coverage.

From its inception in 2000 to December 31, 2023:

- There have been 21,734 claims reported with the estimated total cost of claims (settlements and expenses) reaching \$261,783,951. The program has managed and closed a total of 19,795 claims to date, with 1,939 claims remaining open.
- Residential claims outnumber commercial claims 5:1 (including vacant land and agricultural as commercial; otherwise, the ratio is closer to 7:1).

- Claims related to properties in urban areas outnumber rural claims 7:1.
- Approximately 70 per cent of all reported claims involve transactions exceeding \$250,000 and 41 per cent of all reported claims involve transactions exceeding \$500,000, where transaction values are known, consistent with last year's report.
- There were 1,205 claims reported in the 12 months ending on December 31, 2023. This is similar to the 1,225 claims reported during the same 12-month period one year earlier.

CLAIMS BY TRANSACTION TYPE (SEPTEMBER 1, 2000 TO DECEMBER 31, 2023)

Transaction type	Number of claims
Residential	17,920
Commercial*	3,344
Other	470

* Includes vacant land (750) and agricultural land (190).

CLAIMS BY VALUE OF TRANSACTION (SEPTEMBER 1, 2000 TO DECEMBER 31, 2023)

Value of transaction	Number of claims
Unknown	1,695
\$0-\$150,000	3,062
\$150,000-\$250,000	2,947
\$250,000-\$500,000	5,715
\$500,000-\$1,000,000	4,980
\$1,000,000 and up	3,335

4 This figure does not include any provision for the insurer's internal administrative expenses or further development on claims not yet finalized or reported.

TOP FIVE CAUSES OF URBAN LOSS

Cause	Number of claims
Incomplete sale	2,332
Foundations	1,482
Property description	1,415
Financial/mortgage	949
Deposit	924

TOP FIVE CAUSES OF RESIDENTIAL LOSS

Cause	Number of claims
Incomplete sale	2,282
Foundations	1,663
Property description	1,449
Septic/environmental	996
Structural	953

TOP FIVE CAUSES OF RURAL LOSS

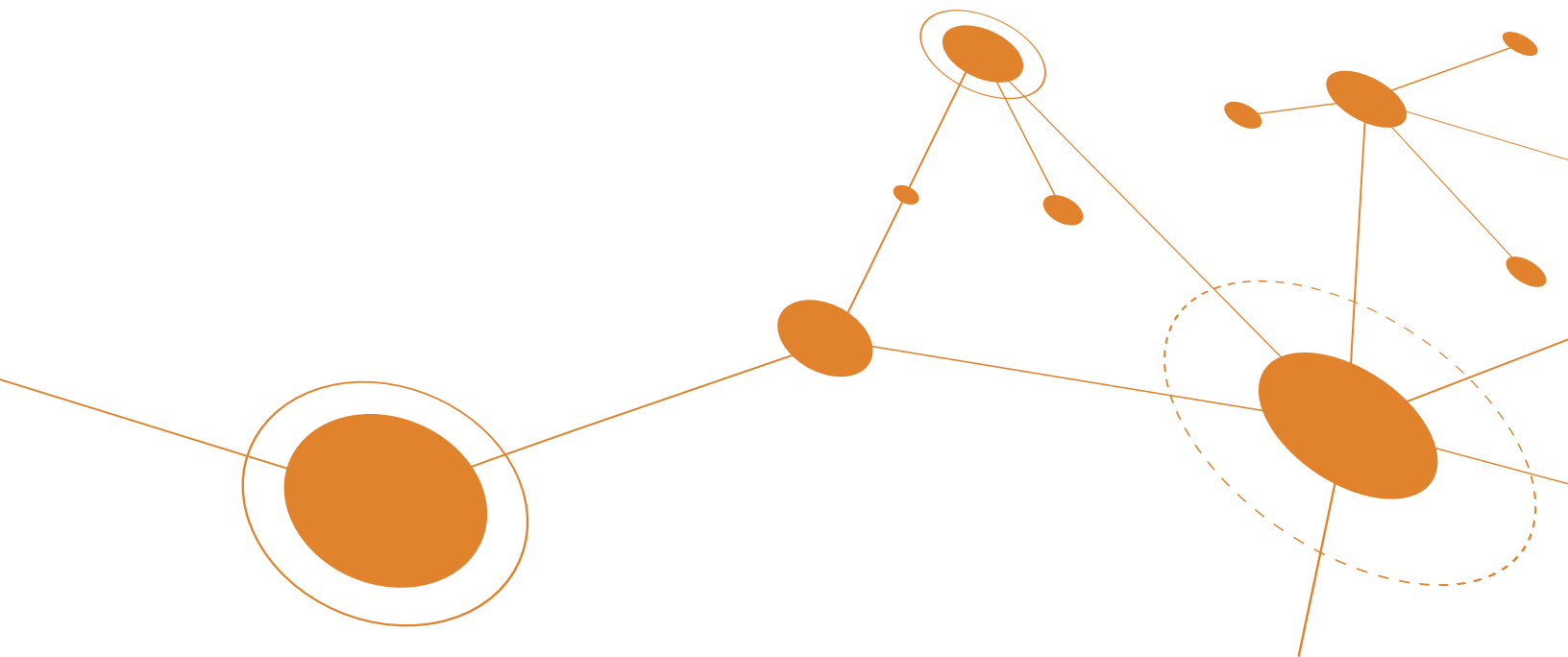
Cause	Number of claims
Septic/environmental	293
Well/water	280
Property description	238
Incomplete sale	222
Foundations	167

TOP FIVE CAUSES OF COMMERCIAL LOSS

Cause	Number of claims
Incomplete sale	445
Leasing/income	317
Tax (incl. HST/GST)	299
Property description	244
Deposit	233

Commission protection coverage

Protects registrants from loss of commission caused by fraud, misappropriation of funds or insolvency of a brokerage. From its inception in 2000 to December 31, 2023, there have been 254 occurrences with estimated payments for claims (settlements and expenses) reaching \$14,333,848⁵.



⁵ This figure does not include any provision for the insurer's internal administrative expenses or further development on claims not yet finalized or reported.

Additional Information

French language services

In 2023, RECO received and responded to 13 calls in French, one complaint in French and three written French inquiries. RECO will continue to respond in French to all inquiries received in French.

Shortly after the publication of the *RECO Information Guide* on December 1, 2023, RECO also published a French version of this valuable resource.

RECO also provides key consumer information and resources in French through its website, RECO's French-language website may be viewed at www.reco.on.ca/fr.

Registrant survey

Every two years, RECO conducts a comprehensive survey among its registrants to evaluate satisfaction levels and the effectiveness of its programs and activities. More than 8,500 registrants shared their insights by completing the survey in 2023.

Satisfaction with customer service stood at 74 per cent, and satisfaction with RECO's communication channels remained high at 75 per cent. The delivery of RECO's mandate received a satisfaction rating of 73 per cent, slightly lower than in 2021 but in line with 2019 results.

Registrants continued to report solid overall satisfaction with RECO; at 69 per cent, this is consistent with the 2019 survey results in this category, but slightly lower than the 2021 survey which was undertaken during COVID. RECO continues to surpass the average observed by our survey provider in similar organizations.

Consumer awareness

Awareness is an integral part of RECO's mission to educate consumers and promote a safe and informed real estate market.

In 2023, RECO took significant strides to enhance consumer awareness through targeted initiatives and informational resources, including the introduction of the *RECO Information Guide*. The comprehensive guide is designed to empower buyers and sellers to make informed decisions throughout the real estate transaction process. Under TRESA, a brokerage or real estate agent is required to provide the guide to prospective clients and self-represented parties before any services or assistance is provided.

RECO's commitment to consumer education extends beyond the guide, with resources available through various channels including the RECO website, newsletters, news media, and social media platforms. These efforts aim to equip consumers with the knowledge and understanding necessary to navigate the real estate market confidently.

The launch of RECO's new website in December marked a significant milestone, offering improved navigation and a modern user experience tailored to meet the information needs of both consumers and registrants.



Management's discussion and analysis

Management's discussion and analysis (MD&A) 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, 2023. This MD&A should be read in conjunction with the audited financial statements. Management provides explanations for the results from operations and insurance. The MD&A also provides an analysis of the organization's past performance and its outlook, which is based on management's reasonable assumptions based on information currently available to them.

Strategic goals

To fulfill its mandate to promote a safe and informed real estate market for consumers in Ontario, RECO's strategy focuses on three core strategic goals:

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

RECO manages potential risks to the achievement of its strategic objectives through its Enterprise Risk & Innovation Management (ER&IM) program — a continuous, proactive, and dynamic process that is based on the ISO 31000 risk framework. The program helped RECO identify and respond to risks throughout the pandemic and to identify and monitor ongoing medium- to long-term risks and opportunities.

In 2023, RECO released its 2024 to 2026 Strategic Plan, updating its strategic goals to adapt to the evolving demands of society and the market.

General operations

Comparative financial results

RECO's surplus was \$10.6 million in 2023, compared to \$5.0 million in 2022 — an increase of \$5.6 million, driven mainly by gains in a strengthened investment market in 2023.

REVENUES

2023 operational revenues were composed of registration fees (69% of total revenue), other registrant fees (5%), education (22%), and other (4%).

Real estate as a profession in Ontario remains attractive. The number of registrants increased by 2,386, or 2.2 per cent, to 112,015.

While the fee reduction implemented on March 1, 2023 (described later) lowered registration revenue as planned, the continued increase in the number of registrants drove more revenue in the year.

A decrease in other registrant fees (comprising transfer fees and application review fees) was primarily a result of the fee reductions for these activities.

Education revenues include registration education revenue from programs delivered by Humber College through the arrangement with NIIT Canada, and were lower in 2023 compared to 2022 due to fewer enrollments in the program. They also include Continuing Education (CE) programs delivered by RECO.

Registration education revenues increased as a consequence of a change in timing for payment of CE fees, which has shifted to time of renewal rather than when CE courses are taken.

Other income was composed of disciplinary fines, other fees, and assessments. This decrease is largely attributable to a reduction in disciplinary procedures concluded in 2023, partially offset by an increase in early resolution penalties.

EXPENSES

The 2023 expenses were composed of salaries and benefits (61% of total expenses), departmental costs (29%), office occupancy and general (3%), amortization (3%) and other (4%).

As a service organization, RECO's salaries and benefits were the largest expense in 2023. As at December 31, 2023, RECO had 174 employees. Salaries and benefits have increased, largely due to the increased staffing levels associated with Business Plan initiatives and enhanced service offerings such as:

- Enhanced, risk-based inspection program,
- Development and implementation of a strategy for future phases of the registration education program, and
- Enhanced information technology security and software as-a-service solutions.

As a result of costs related to these business projects and initiatives, departmental costs were higher than the prior year. Corporate insurance costs continued to increase in line with the increasing insurance costs, including cyber coverage.

The impact of moving into a scaled-down office space for a full year lowered the Office, occupancy and general costs.

Board remuneration and expenses were lower, the result of some board vacancies during the year and lower training costs.

Government oversight fees were higher in accordance with fees established by the ministry.

Bad-debt expenses were higher as additional provisions were taken for unpaid fines sent to collections.

Other 2023 expense line items were in line with 2022, with AGM costs being higher with the addition of a TRESA panel and change in hosting vendor.

INVESTMENT INCOME

RECO invests its capital in accordance with its statement of investment policy and procedures (“SIPP”). Although investments experienced significant fluctuations in 2023, there was a vast improvement overall compared to 2022 and a strong performance by year-end. RECO’s portfolio continues to be positioned defensively for preservation of capital over the long term.

CAPITAL EXPENDITURES

Capital expenditures were lower than 2022, which reflected the majority of expenses incurred for the office reconfiguration project to support a hybrid work model.

Operations outlook for 2024

RECO’s budgeted surplus is expected to be \$0.9 million in 2024, compared to \$10.6 million in 2023 — a decrease of \$9.7 million.

REVENUES

Revenues will continue to decrease for those activities impacted by the fee reduction plan for the foreseeable future. The key changes implemented through the fee reduction plan include:

- For all new, renewal and reinstatement applications, the registration application fee dropped from \$390 to \$306,
- For registrants who transfer from one brokerage to another, the transfer fee dropped from \$100 to \$25, and
- For all new and reinstatement applications, the application review fee dropped from \$200 to \$50.

As a consequence, 2024 Revenues are expected to be lower by \$1.9 million compared to 2023.

EXPENSES

Expenses are expected to increase by \$5.9 million, or 23 per cent, primarily due to investments in human capital and higher departmental costs in 2024. These investments support RECO’s strategic goals and Business Plan initiatives. This includes the continued development of the next phase of

RECO’s long-term registration education strategy, which will involve moving to an open market with more educational institutions delivering registration education programs.

The anticipated increase in salaries and benefits represents a combination of new hires and vacancies filled. The additional resources will provide the organization with the required staff to achieve its Business Plan initiatives.

In addition to the increase in human capital, the 2024 budget includes additional investment of \$3.2 million to support RECO’s Business Plan initiatives, which include:

- Develop strategy to collect more performance data across the organization and develop dashboards,
- Create advanced analytics program to leverage existing and new data,
- Review existing and assess additional performance standards to track and monitor,
- Seek opportunities to actively promote compliance within the industry,
- Develop and deploy content to the consumer resource section of the website,
- Implement recommendations from the first two phases of the brand review,
- Modernize the public register, and
- Support Ministry efforts to further the Office of the Auditor General recommendation regarding director composition.

INVESTMENT INCOME

Investment income is expected to be lower by \$2.0 million than in 2023 as the strong performance of 2023 is not expected to be repeated. While returns may deviate from expectations over the short term, RECO’s investment strategy remains committed to the long-term preservation of capital.

CAPITAL EXPENDITURES

No significant capital expenditures are planned in 2024 outside of minimal computer hardware.

Registrant’s insurance program

Overview

The insurance program provides three types of protection:

- Consumer deposit protection (protection of consumers),
- Errors and omissions insurance (protection of consumers and registrants), and
- Commission protection insurance (protection of registrants).

Insurance revenues represent the contributions to both the program stability fund and the insurance administration fund. Insurance contributions 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.

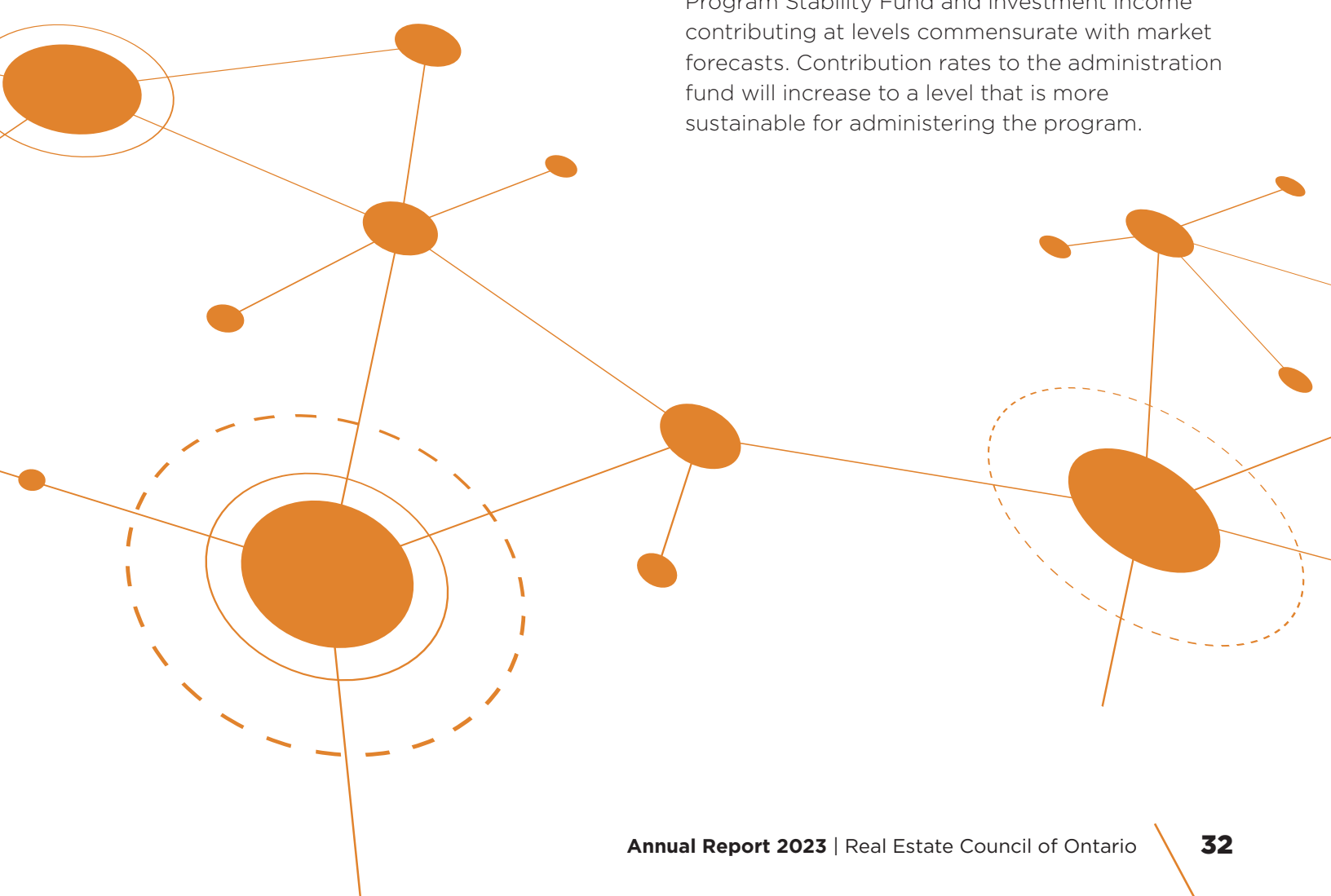
Comparative financial results

The insurance program surplus was \$4.6 million in 2023, compared to a deficit of \$2.5 million in 2022. The increase was primarily a result of favourable investment returns and the discontinuance of the \$8-per-registrant subsidy previously provided to registrants funded by the stability fund.

The insurance administration fund is intended to cover the ongoing expenses related to the administration of the program. A contribution lower than the cost of administering the program was continued for 2023, which contributed to a deficit of \$244,000.

Insurance outlook for 2024

A surplus of \$3.6 million is expected for the insurance program in 2024, which is primarily the result of an increase in contribution rates to the Program Stability Fund and investment income contributing at levels commensurate with market forecasts. Contribution rates to the administration fund will increase to a level that is more sustainable for administering the program.





Independent auditor's report

Financial Statements of

REAL ESTATE COUNCIL OF ONTARIO

And Independent Auditor's Report thereon

Year ended December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

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, 2023
- 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, 2023, 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 **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's 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 auditor's 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 auditor's report thereon, included in the Management's Discussion and Analysis as at the date of this auditor's 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 auditor's 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.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



Page 4

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 28, 2024

REAL ESTATE COUNCIL OF ONTARIO

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Operations Fund		Insurance Program Fund		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current assets:						
Cash (note 2)	\$ 2,899,424	\$ 3,993,224	\$ 1,173,554	\$ 1,522,294	\$ 4,072,978	\$ 5,515,518
Short-term investments (note 3)	11,153,212	5,001,148	3,000,000	—	14,153,212	5,001,148
Accounts receivable (note 13(b))	2,672,631	4,105,660	22,434	—	2,695,065	4,105,660
Deposits and prepaid expenses	1,067,601	755,029	—	—	1,067,601	755,029
	17,792,868	13,855,061	4,195,988	1,522,294	21,988,856	15,377,355
Investments (note 3)	51,106,429	46,802,587	28,882,250	26,415,028	79,988,679	73,217,615
Capital assets (note 4)	3,373,884	3,900,749	—	—	3,373,884	3,900,749
Intangible assets (note 5)	1,137,154	1,231,562	—	—	1,137,154	1,231,562
	\$ 73,410,335	\$ 65,789,959	\$ 33,078,238	\$ 27,937,322	\$ 106,488,573	\$ 93,727,281
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 7)	\$ 1,373,695	\$ 1,723,790	\$ 144,476	\$ 281,662	\$ 1,518,171	\$ 2,005,452
Accrued insurance premiums	—	—	1,386,288	1,551,734	1,386,288	1,551,734
Government fee payable (note 6)	314,590	314,590	—	—	314,590	314,590
Deferred lease inducement (note 7)	97,693	97,693	—	—	97,693	97,693
Deferred registration fees (note 8(a))	15,034,922	16,606,314	—	—	15,034,922	16,606,314
Deferred insurance fees (note 8(b))	—	—	2,339,317	1,467,629	2,339,317	1,467,629
	16,820,900	18,742,387	3,870,081	3,301,025	20,690,981	22,043,412
Deferred lease inducement (note 7)	781,539	879,231	—	—	781,539	879,231
Deferred registration fees (note 8(a))	4,860,757	5,868,588	—	—	4,860,757	5,868,588
	22,463,196	25,490,206	3,870,081	3,301,025	26,333,277	28,791,231
Net assets:						
Investment in capital assets and intangible assets	4,511,038	5,132,311	—	—	4,511,038	5,132,311
Restricted insurance program fund (Schedule)	—	—	29,208,157	24,636,297	29,208,157	24,636,297
Internally restricted operating reserve	15,000,000	13,000,000	—	—	15,000,000	13,000,000
Unrestricted	31,436,101	22,167,442	—	—	31,436,101	22,167,442
	50,947,139	40,299,753	29,208,157	24,636,297	80,155,296	64,936,050
Commitments and contingencies (notes 10 and 12)						
	\$ 73,410,335	\$ 65,789,959	\$ 33,078,238	\$ 27,937,322	\$ 106,488,573	\$ 93,727,281

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	Operations Fund		Insurance Program Fund		Total	
	2023	2022	2023	2022	2023	2022
	(Schedule)					
Revenue:						
Registration and insurance fees (note 8)	\$ 21,308,368	\$ 21,411,612	\$ 2,670,948	\$ 1,295,897	\$ 23,979,316	\$ 22,707,509
Other registrant fees	1,511,920	3,869,400	—	—	1,511,920	3,869,400
Education (note 9)	6,673,795	5,427,307	—	—	6,673,795	5,427,307
Other income	1,307,959	1,466,776	155,384	199,842	1,463,343	1,666,618
	30,802,042	32,175,095	2,826,332	1,495,739	33,628,374	33,670,834
Expenses:						
Salaries and benefits	15,379,241	14,617,805	—	—	15,379,241	14,617,805
Departmental costs	7,304,102	6,397,708	—	—	7,304,102	6,397,708
Office, occupancy and general	736,964	1,139,611	—	—	736,964	1,139,611
Board remuneration and expense	194,085	230,314	—	—	194,085	230,314
Amortization (notes 4 and 5)	838,877	668,826	—	—	838,877	668,826
Government oversight fees (note 6)	419,453	401,058	—	—	419,453	401,058
Elections and annual general meeting	175,030	38,208	—	—	175,030	38,208
Bad debt (recovery)	86,606	(74,128)	—	—	86,606	(74,128)
Loss on disposal of capital assets	—	68,631	—	—	—	68,631
Net premiums	—	—	16,018	875,451	16,018	875,451
Insurance administration	—	—	1,229,910	1,185,061	1,229,910	1,185,061
	25,134,358	23,488,033	1,245,928	2,060,512	26,380,286	25,548,545
Excess (deficiency) of revenue over expenses before investment income	5,667,684	8,687,062	1,580,404	(564,773)	7,248,088	8,122,289
Change in fair value of investments	2,968,818	(4,872,790)	1,709,261	(2,854,636)	4,678,079	(7,727,426)
Other investment income	2,010,884	1,143,121	1,282,195	865,056	3,293,079	2,008,177
Investment income (loss)	4,979,702	(3,729,669)	2,991,456	(1,989,580)	7,971,158	(5,719,249)
Excess (deficiency) of revenue over expenses	\$ 10,647,386	\$ 4,957,393	\$ 4,571,860	\$ (2,554,353)	\$ 15,219,246	\$ 2,403,040

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	2023				2022	
	Investment in capital assets and intangible assets	Restricted insurance program fund (Schedule)	Internally restricted operating reserve	Unrestricted	Total	Total
Balance, beginning of year	\$ 5,132,311	\$ 24,636,297	\$ 13,000,000	\$ 22,167,442	\$ 64,936,050	\$ 62,533,010
Excess (deficiency) of revenue over expenses	–	4,571,860	–	10,647,386	15,219,246	2,403,040
Interfund transfer	–	–	2,000,000	(2,000,000)	–	–
Purchase of capital and intangible assets	217,604	–	–	(217,604)	–	–
Loss on disposal of capital assets	–	–	–	–	–	–
Amortization of capital and intangible assets	(838,877)	–	–	838,877	–	–
Balance, end of year	\$ 4,511,038	\$ 29,208,157	\$ 15,000,000	\$ 31,436,101	\$ 80,155,296	\$ 64,936,050

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	Operations Fund		Insurance Program Fund		Total	
	2023	2022	2023	2022	2023	2022
Cash flows from (used in)						
operating activities:						
Registration fees	\$ 18,729,145	\$ 21,692,191	\$ –	\$ –	\$ 18,729,145	\$ 21,692,191
Other registrant fees	1,445,920	3,829,800	–	–	1,445,920	3,829,800
Education receipts	7,232,917	5,619,887	–	–	7,232,917	5,619,887
Insurance premium fees receipts	–	–	46,489,286	46,790,798	46,489,286	46,790,798
Insurance program stability fees receipts	–	–	2,357,843	1,560,607	2,357,843	1,560,607
Insurance administration fees receipts	–	–	1,184,793	653,930	1,184,793	653,930
Other receipts	2,095,259	331,997	155,384	200,307	2,250,643	532,304
Insurance premiums paid	–	–	(46,670,749)	(47,938,765)	(46,670,749)	(47,938,765)
Cash paid to suppliers and employees	(24,903,233)	(21,806,929)	(1,367,095)	(1,059,881)	(26,270,328)	(22,866,810)
	4,600,008	9,666,946	2,149,462	206,996	6,749,470	9,873,942
Cash flows from (used in)						
investing activities:						
Investment income received	2,010,884	1,143,121	1,259,760	865,056	3,270,644	2,008,177
Investment purchase, net	(7,487,088)	(6,021,977)	(3,757,962)	(599,370)	(11,245,050)	(6,621,347)
Purchase of capital assets	(48,297)	(3,866,217)	–	–	(48,297)	(3,866,217)
Purchase of intangible assets	(169,307)	–	–	–	(169,307)	–
	(5,693,808)	(8,745,073)	(2,498,202)	265,686	(8,192,010)	(8,479,387)
Net increase (decrease) in cash	(1,093,800)	921,873	(348,740)	472,682	(1,442,540)	1,394,555
Cash, beginning of year	3,993,224	3,071,351	1,522,294	1,049,612	5,515,518	4,120,963
Cash, end of year	\$ 2,899,424	\$ 3,993,224	\$ 1,173,554	\$ 1,522,294	\$ 4,072,978	\$ 5,515,518

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements

Year ended December 31, 2023

The Real Estate Council of Ontario ("RECO") is a not-for-profit corporation, originally incorporated by letters patent under the Canada Corporations Act on January 24, 1997. RECO subsequently incorporated under the laws of the Province of Ontario by letters patent of continuation dated June 9, 2021. 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"). As of December 1, 2023, the title of the Act changed to the Trust in Real Estate Services Act, 2002 ("TRESA 2002").

Consumer deposit insurance, errors and omissions insurance and commission protection insurance are mandatory for registrants under TRESA 2002. Payments required under TRESA 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.

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 as issued by the Canadian Accounting Standards Board.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(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, fees charged under the agreement with the consortium of Humber Institute of Technology & Advanced Learning ("Humber") and NIIT Canada, and fees charged for the administration of the insurance program.

Revenue is recognized evenly over a 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 education agreement are recognized as they are earned. Variable and fixed amounts received under the agreement are recognized over the period of entitlement. Details of the agreement are set out in note 9.

Revenue from disciplinary fines is 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 insurance fees. Other amounts receivable are recognized in the year received.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments 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 elected to carry investments in private equity at fair value.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

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%

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(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 assets are less than their net carrying amounts.

There were no impairment charges recognized for capital and intangible assets in 2023 and 2022.

(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 investments, valuation of certain receivables and accrued liabilities. Actual results could differ from those estimates.

2. Cash:

Cash consists of amounts held in BMO treasury accounts earning interest at BMO's deposit reference rate less 2.1% for balances up to and including \$5,000,000.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Investments:

	Operations Fund		Insurance Program Fund	
	2023	2022	2023	2022
Fixed income:				
Canadian	\$ 31,868,727	\$ 24,406,388	\$ 14,704,058	\$ 10,954,417
Foreign	6,425,302	5,938,663	3,626,679	3,351,435
	38,294,029	30,345,051	18,330,737	14,305,852
Equities:				
Canadian	4,736,085	4,266,156	2,681,682	2,415,607
Foreign	14,279,061	12,031,676	8,100,556	6,826,421
	19,015,146	16,297,832	10,782,238	9,242,028
Private equity:				
Canadian real estate	4,950,462	5,160,852	2,762,742	2,867,148
Cash and equivalents	4	—	6,533	—
Total investments	62,259,641	51,803,735	31,882,250	26,415,028
Less investments classified as short- term	11,153,212	5,001,148	3,000,000	—
	\$ 51,106,429	\$ 46,802,587	\$ 28,882,250	\$ 26,415,028

Investments in fixed income consist of managed pooled funds and guaranteed investment certificates. Investments in equities consist of managed pooled funds. Investments in private equity consist of Canadian real estate held through a segregated fund.

The allocation of investments is managed in accordance with RECO's Statement of Investment Policy and Procedures ("SIPP").

As at December 31, 2023, short-term investments of Canadian fixed income consisted of guaranteed investment certificates with interest rates ranging between 5.15% to 5.20% and maturity dates ranging between January and May 2024 (2022 – interest rate of 5.15% and maturity date of June 2023).

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 1,323,474	\$ 1,171,622	\$ 151,852	\$ 315,407
Office furniture and equipment	708,069	370,983	337,086	429,956
Leasehold improvements	3,308,936	423,990	2,884,946	3,155,386
	\$ 5,340,479	\$ 1,966,595	\$ 3,373,884	\$ 3,900,749

In the current year, amortization expense related to capital assets totaled \$575,162 (2022 - \$405,666).

5. Intangible assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Management information system	\$ 2,648,613	\$ 1,539,991	\$ 1,108,622	\$ 1,190,067
Computer software	469,476	440,944	28,532	41,495
	\$ 3,118,089	\$ 1,980,935	\$ 1,137,154	\$ 1,231,562

In the current year, amortization expense related to intangible assets totaled \$263,715 (2022 - \$263,160).

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Administrative agreement:

An administrative agreement exists between RECO and the Ministry of Public and Business Service Delivery (the "Agreement"). Amounts payable under the Agreement are recognized in the year incurred. In the current year, \$419,453 (2022 - \$401,058) was incurred as an expense. Amounts for future years will be charged in accordance with the table below and amounts thereafter will be as determined by the Ministry of Public and Business Service Delivery.

April 1, 2023 to March 31, 2024	\$ 419,453
April 1, 2024 to March 31, 2025	432,540

7. Deferred lease inducement:

RECO received lease inducements to enter into a long-term lease for office premises. Inducements include amounts receivable from the lessor and broker related to the long-term lease incurred by RECO. These inducements are amortized on a straight-line basis as a reduction of rental expense over the term of the lease.

The liability of \$429,387 related to graduated rental increases is recorded in accounts payable and accrued liabilities (2022 - \$452,626).

The liability related to amounts receivable from the lessor and broker related to the long-term lease is recorded as deferred lease inducement, as follows:

Balance, December 31, 2022	\$ 976,924
Lease inducements received in 2023	—
Less amounts amortized to office, occupancy and general in 2023	97,692
Balance, December 31, 2023	879,232
Amounts to be amortized in 2024	97,693
Amounts to be amortized in 2025 and subsequent years	\$ 781,539

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

8. 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, 2022	\$	22,474,902
Registration fees received in 2023		18,729,145
Less amounts recognized as revenue in 2023		21,308,368
Balance, December 31, 2023	\$	19,895,679
Amounts to be recognized as revenue in 2024	\$	15,034,922
Amounts to be recognized as revenue in 2025		4,860,757
	\$	19,895,679

(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:

		Program Stability Fund		Insurance Administration Fund		Total
Balance, December 31, 2022	\$	1,038,210	\$	429,419	\$	1,467,629
Insurance payments received in 2023		2,357,843		1,184,793		3,542,636
Less amounts recognized as revenue in 2023		1,840,280		830,668		2,670,948
Balance, December 31, 2023 and amounts to be recognized as revenue in 2024	\$	1,555,773	\$	783,544	\$	2,339,317

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Education revenue:

Education revenue includes fees charged for mandatory continuing education and amounts receivable under the agreement with NIIT Canada for education programs delivered by Humber.

For amounts receivable under the education programs delivered by Humber, effective on September 16, 2019, RECO is entitled to \$2,000,000 annually. RECO is also entitled to 5% of all course revenue in excess of \$20,000,000 within a calendar year.

10. Commitments:

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

2024	\$	394,599
2025		394,599
2026		412,953
2027		412,953
2028		412,953
Thereafter		1,743,579
		<hr/>
		\$ 3,771,636

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

11. Funds held in trust:

RECO holds in trust consumer deposits transferred by brokers as dormant trust funds. As at December 31, 2023, these deposits amounted to \$8,429,132 (2022 - \$6,256,062). These amounts have not been included in the financial statements as RECO does not control or benefit from these funds.

12. 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 typically 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.

13. Financial risks:

RECO is exposed to a variety of financial risks including market risk and credit risk. It is management's opinion that RECO is not exposed to significant liquidity risk.

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. RECO is subject to market risk on its investments.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Financial risks (continued):

Risk management relates to RECO's understanding and active management of risks associated with all areas of RECO and the associated operating environment. RECO manages its financial risks by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with RECO's SIPP. RECO's SIPP focuses on the long-term preservation of capital, with a rate of return sufficient to meet the cost of administering the investments.

RECO is not involved in any derivative financial instruments for trading purposes.

(i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. RECO is exposed to foreign currency exchange risk on its foreign investments.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. RECO is exposed to interest rate risk on its fixed-income investments.

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. RECO is exposed to other price risk on its investment in equities.

RECO monitors the impact of market volatility on its financial instruments and structures its investment strategies to reduce the risk to an acceptable level.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Financial risks (continued):

(b) Credit risk:

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations.

RECO is exposed to credit risk on cash held with financial institutions. RECO places its cash with high quality institutions to mitigate this risk.

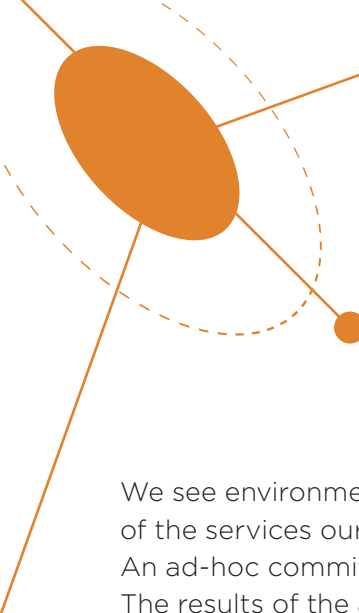
RECO is exposed to credit risk on accounts receivable, which comprises amounts receivable from registration education programs and disciplinary fines. Credit risk from registration education programs is considered to be low, as receivables are recognized only if it is reasonably certain the monies will 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 \$916,653 (2022 - \$830,046) for disciplinary fines receivable.

REAL ESTATE COUNCIL OF ONTARIO

Schedule of Insurance Program Fund Balances

Year ended December 31, 2023, with comparative information for 2022

				Total	
	Insurance Premium Fund	Program Stability Fund	Insurance Administration Fund	2023	2022
Revenue:					
Insurance fees	\$ —	\$ 1,840,280	\$ 830,668	\$ 2,670,948	\$ 1,295,897
Other income	—	—	155,384	155,384	199,842
	—	1,840,280	986,052	2,826,332	1,495,739
Expenses:					
Net premiums	16,018	—	—	16,018	875,451
Insurance administration	—	—	1,229,910	1,229,910	1,185,061
	16,018	—	1,229,910	1,245,928	2,060,512
Excess (deficiency) of revenue over expenses before investment income	(16,018)	1,840,280	(243,858)	1,580,404	(564,773)
Change in fair value of investments	—	1,709,261	—	1,709,261	(2,854,636)
Other investment income	—	1,282,195	—	1,282,195	865,056
Investment income (loss)	—	2,991,456	—	2,991,456	(1,989,580)
Excess (deficiency) of revenue over expenses	(16,018)	4,831,736	(243,858)	4,571,860	(2,554,353)
Accumulated fund balances, beginning of year	—	23,610,678	1,025,619	24,636,297	27,190,650
Interfund transfer	16,018	(16,018)	—	—	—
Accumulated fund balances, end of year	\$ —	\$ 28,426,396	\$ 781,761	\$ 29,208,157	\$ 24,636,297



RECO's commitment to environmental, social and governance responsibility

We see environmental, social and governance (ESG) responsibility as a lens that applies to all aspects of the services our organization provides. In 2022, we underwent a comprehensive ESG assessment. An ad-hoc committee was created to review the assessment and make recommendations to the Board. The results of the assessment indicate that there are no major ESG deficiencies in the approach being taken, but RECO has created a roadmap for consideration in the future, if necessary.

Some important ongoing successes in this area include:

Environmental

- Moved services, such as hearings, to remote settings to reduce carbon footprint.
- Adopted a hybrid work environment to reduce travel and carbon footprint.
- Reduced office footprint, power and other resource requirements.
- Switched from paper-based systems to electronic.

Social

- Ensured compliance with the *Accessibility for Ontarians with Disabilities Act, 2005* (AODA).

Governance

- Managed integrated enterprise risk through a robust Enterprise Risk and Innovation Management system, with oversight from RECO's Board of Directors.



Governance

RECO is governed by a 12-person Board of Directors, including nine elected representatives registered under TRESA and three Directors appointed by the Minister of Public and Business Service Delivery to represent consumers, business and government. RECO's Board of Directors is responsible for providing the organization with purpose and strategic direction using effective oversight and strong governance principles.

Board of Directors

As of December 31, 2023, RECO was governed by a 12-position board comprising nine elected positions registered under the applicable legislation and three positions appointed by the Minister of Public and Business Service Delivery.

CHAIR

Katie Steinfeld, Broker of Record
On The Block Realty Inc., Brokerage, Woodbridge
End of Term: End of AGM 2025
Industry Director

VICE-CHAIR

John O'Sullivan, Broker
RE/MAX Hallmark Realty Group, Brokerage, Ottawa
End of Term: End of AGM 2024
Industry Director

Ovais Iqbal

End of Term: End of AGM 2024
Minister-appointed Director

Brent King

Broker of Record
Royal Oak Real Estate Ltd., Brokerage, Fort Erie
End of Term: End of AGM 2024
Industry Director

Tim Lee

Broker
Century 21 Synergy Realty Inc., Carleton Place
End of term: End of AGM 2025
Industry Director

John Lusink

Broker
Right at Home Realty, Brokerage, Toronto
End of Term: End of AGM 2024
Industry Director

Sandra Lee Marques, Broker
EXP Realty, Brokerage, Ottawa
End of Term: End of AGM 2024
Industry Director

Krystal Lee Moore

Broker
Royal LePage Triland Realty Ltd., London
End of term: End of AGM 2025
Industry Director

Phillip Richardson

End of Term: End of AGM 2025
Minister-appointed Director

The following Industry Directors stepped down during the year:

Rebecca Himelfarb, August 30, 2023
Frank Dattilo, November 22, 2023

Vacancies at fiscal year-end:

One Minister-appointed Director position
Two Industry Director positions

Board policies

The following Board policies were reviewed and, where necessary, updated in 2023:

- Policy on Reimbursement of Expenses
- Policy on Delegation of Authorities
- Policy on Total Compensation Philosophy
- Policy on Social Media for RECO Board of Directors, Committee/Advisory Group Members and Volunteers
- Policy on Organizational Planning and Performance
- Procurement Policy
- Directors Conflict of Interest Policy

By-law amendments

There were no changes to the by-laws in 2023.

Upcoming changes

On January 2, 2024, RECO received a letter from the Minister of Public and Business Service Delivery, outlining five Minister's Orders in response to recommendations from the 2022 Auditor General's report. These relate to the size, composition, and competency requirements of the Board and the nominations process to achieve this, as well as the creation of an industry advisory council. For more information, please read our [By-laws, policies & other documents](#) web page, or refer to the 2024 Business Plan.

More information can be found about RECO's governance, policies and procedures on RECO's [website](#).

Board Committees

Audit, Risk, Finance & Insurance Committee

Four meetings held annually

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 and innovation management and information technology. The committee oversees

RECO's corporate insurance program. In addition, it monitors the performance and operations of the professional liability insurance program administered by RECO and monies held by RECO in the Insurance Administration Fund, the Premium Fund and the Program Stability Fund.

Governance, People & Culture Committee

Four meetings held annually

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 support that allows 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 & Organizational Performance Committee

Four meetings held annually

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 Committees⁶

Discipline Committee

For conduct occurring prior to December 1, 2023, conducts hearings pertaining to alleged breaches of the Code of Ethics referred to by the Registrar. Discipline panels determine whether registrants have complied with the Code of Ethics. For conduct occurring after December 1, 2023, the Discipline Committee has authority to consider whether a registrant has contravened any provision in TRESA or its regulations.

Appeals Committee

Hears, considers, and decides appeals related to Discipline Committee decisions for conduct occurring prior to December 1, 2023. Appeals of matters that occur after December 1, 2023, will be brought to the Licence Appeal Tribunal.

Other

Registrar's Education Advisory 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.

Consumer and 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 gives input related to such other matters as RECO may request from time to time. The Consumer and Industry Advisory Group (CIAG) has been in place

since 2020, when it was restructured to combine both industry and consumer representatives, replacing the prior CEO Advisory Group. Its terms of reference, members, and meeting minutes can be found on RECO's [website](#).

The CIAG met twice in 2023 — in April and November. Following the CIAG's feedback and recommendations from those meetings, RECO took the following actions:

- The valuable input from the group has been incorporated into RECO's internal discussions for future refinements of the Public Register, including the length of time registrant discipline records should remain publicly accessible.
- RECO incorporated valuable insights from the group into the final *RECO Information Guide*. The group provided positive feedback on layout and design, and their suggestions encouraged RECO to engage a plain language specialist to ensure clarity and accessibility for consumers.
- The CIAG provided suggestions on additional questions to add to RECO's next consumer awareness survey, slated for the first half of 2024. These additional questions will ensure a deeper understanding of consumer experiences and perceptions.
- Feedback from the CIAG on ways to organize and present consumer content on the RECO website has been incorporated into the newly launched RECO website, with specific plans for additional content to be rolled out in 2024.

RECO's industry and consumer advisory committee structure will be adjusted in 2024 to comply with the Minister's Orders.

⁶ Members of the Board of Directors cannot be appointed to the Discipline Committee or the Appeals Committee.

Management

RECO’s management team and staff are led by a Chief Executive Officer, organized across three divisions.



MICHAEL BEARD
CHIEF EXECUTIVE OFFICER

George Drametu
Director, Litigation

Ruth Garrett
Director, Risk & Insurance Programs

JOSEPH RICHER
REGISTRAR

Lisa Key
Deputy Registrar, Compliance

Gail McGuire
Deputy Registrar, Education

Glen Thomas
Director, Complaints

Angela Volpe
Director, Registration

Glen Furlong
Manager, Investigations

Sandra Gibney
Manager, Regulatory Policy

Paul Lush
Manager, Education Programs

Rosary Perez
Manager, Education Vision

Michelle Plucas
Manager, Audit & Inspections

Lisa Wall
Manager, Education Operations

BRENDA BUCHANAN
CHIEF OPERATIONS OFFICER

Tim Bates
Director, Finance

Ben Draper
Director, Information Technology (interim)

Adam Freyseng
Director, Client Services

Sylvia Mauti
Director, Human Resources

Kym Robertson
Director, Stakeholder Relations

Heather MacDonald-Santiago
Manager, Stakeholder Relations

Martin McKenzie
Manager, Accounting

Vasko Markovski
Manager, Application Development

Raquel Smith
Manager, Discipline & Appeals Hearings



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