



Real Estate
Council of Ontario



ANNUAL REPORT

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Corporate profile

Introduction

The Real Estate Council of Ontario (RECO) is a not-for-profit corporation established in 1997, responsible for administering the *Real Estate and Business Brokers Act, 2002* (REBBA). Key to its mandate is consumer protection in the public interest through a fair, safe and informed marketplace.

RECO protects the public interest through:

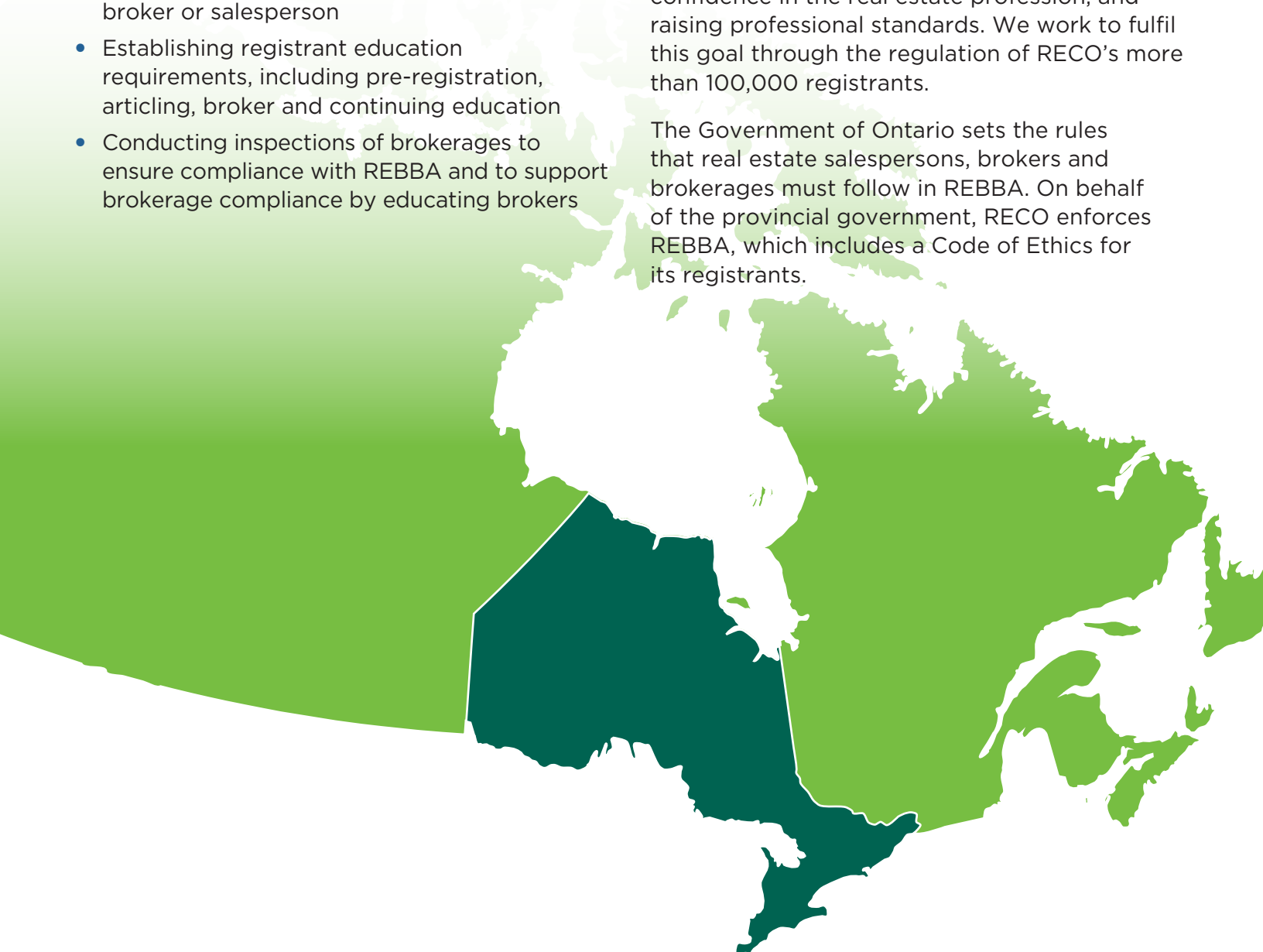
- Enforcing the standards required to obtain and maintain registration as a brokerage, broker or salesperson
- Establishing registrant education requirements, including pre-registration, articling, broker and continuing education
- Conducting inspections of brokerages to ensure compliance with REBBA 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

Profile

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 fulfil this goal through the regulation of RECO's more than 100,000 registrants.

The Government of Ontario sets the rules that real estate salespersons, brokers and brokerages must follow in REBBA. On behalf of the provincial government, RECO enforces REBBA, which includes a Code of Ethics for its registrants.





Mission

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



Vision

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



Values

1. Model empathy and choose inclusivity

We act with respect, commitment and courage, engaging with people empathically and considering their backgrounds and perspectives.

2. Be intentional in all actions

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

3. Act with integrity

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

4. Embrace curiosity

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

5. 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 look back on my nine years on the RECO board, including the past two as chair, I can say that the last few years have been among the most erratic for the real estate industry in Ontario and for RECO as the regulator.

The year 2022, in particular, saw swings in market pricing and activity levels over a relatively short space of time during a period when we were all establishing new working practices after more than two years of lockdown and finding ways to get back to all-important face-to-face interactions. Similarly, RECO navigated successfully through several challenges, including moving to revamped office premises, establishing many new practices to fulfil its mandate in a new working environment, fulfilling significant demands to advise on and deploy regulatory enhancements, and supporting the Office of the Auditor General of Ontario (OAGO) in its value-for-money audit of RECO.

As I said last year, the industry and RECO had to adapt and innovate in order to achieve success.

The following are a few highlights from the report that I'm particularly proud of.

Enhancing the learning experience

It's clear how important it is to continually improve the education structure to better equip new registrants with a solid understanding of regulatory requirements. It was during my tenure on the RECO board when the first ideas began to emerge about how to modernize the registration education program, and I look proudly at the results that we see today. Leading practices, such as simulation sessions, have been successfully implemented to the benefit of the industry and consumers.

Additionally, in 2022 RECO laid the groundwork for the implementation of a new mandatory continuing education system which will be launched in early 2023. This system will go further than just being a learning process to follow to renew registration; it will become a reliable knowledge base that can be accessed at any time. Relevant course content continues to be added. For example, in 2022 the Municipal Property Assessment Corporation (MPAC) Mandatory Continuing Education (MCE) elective was launched, which provides learners with an overview of the Ontario Property Assessment System and cycle, MPAC's role, and the correlation between current value assessments and property tax.

Sustainability, efficiency and effectiveness

Strong board governance and oversight are necessary to ensure organizational sustainability which is achieved by focusing on new efficiencies and finding ways to be more effective. One such example is the initiative in the 2022 Business Plan to develop

a new inspection model in a manner that prioritizes inspections for brokerages with lower levels of compliance. Launched early in 2022, this initiative was subsequently endorsed in the value-for-money audit conducted by the OAGO and is now well underway to be completed in 2023.

The focus on efficiencies has kept incremental costs low over the past few years which, when coupled with the continued increase in new registrants in 2022, enabled RECO to implement significant long-term reductions in fees while maintaining its regulatory responsibilities. Registrants will see these changes come into effect early in 2023.

Value-for-money audit by the Office of the Auditor General of Ontario

The OAGO conducted a value-for-money audit of RECO in 2022. Throughout the year, RECO staff provided thousands of documents as requested by the OAGO, culminating in the audit report being published in December 2022. The report includes 25 recommendations, and RECO is committed to their timely implementation. A plan will be publicly shared in 2023, and updates on progress to that plan will be provided on a quarterly basis. RECO is grateful to the OAGO for their work to help RECO on its path to become a more modern, efficient and effective regulator.

RECO board and staff

None of the above could have been achieved without the commitment and dedication of a strong board and capable staff. I would like to thank my colleagues on the board for their support for me as chair in 2022, and all the board directors with whom I had the pleasure of working over the eight years before that.

I would also like to thank the staff at RECO for what they have achieved, in particular Chief Executive Officer Michael Beard, Registrar Joseph Richer, and Chief Operations Officer Brenda Buchanan. I leave the RECO board with no doubt in my mind that the industry has a most capable regulator in RECO, to the benefit of all registrants and consumers. They are a truly dedicated group of employees, and I am blessed to have been able to share these nine years with them.

Steve Boxma



CEO's message

I'm proud to share RECO's *2022 Annual Report*, which summarizes a year of progress, innovation, challenges, and accomplishments.

Staying the course

RECO's strategic plan *2019-2023, Modern Regulation for a Dynamic Workplace*, served RECO well through times of considerable change in the real estate industry in Ontario and for RECO as the regulator. We continue to remain on track as we approach the final year of our five-year strategic plan, and have begun developing RECO's next strategic plan for 2024 to 2026 as we look towards the future of the real estate industry. I would like to thank everyone who has provided input and advice as management and the RECO board wrap up the plan, which will be shared with the public in 2023.

The 2022 Annual Report shares the many achievements of RECO over the last year, and I am proud of how tirelessly RECO staff worked to restore service levels and performance targets and their support in completing the extensive exercise with the Office of the Auditor General of Ontario (OAGO) on the value-for-money audit of RECO. All of this was accomplished while coming back to work in a state-of-the-art office facility that was designed and constructed during the pandemic.

In addition to a new facility, we are excited about our investment in new technologies that facilitated remote connectivity, and enabled us to continue to fulfil our mandate over this last year. RECO's all-important responsibility to receive, review and process complaints continued through 2022, resulting in 2,106 complaints being opened, or approximately 10 complaints every working day. Of those, 82 were sufficiently serious to warrant being sent to RECO's Discipline Committee. Although the complaints and discipline processes are available to both registrants and consumers, I would like to recognize the 24% of registrants who brought complaints in 2022. Your hard work to raise the bar for professionalism in the industry, engage with other registrants to address issues for consumers, and take the time and trouble to engage with RECO as appropriate does not go unnoticed.

Even though new standards are being achieved through regulatory reform, the system still requires active participation from registrants to report incidents of misbehaviour and misconduct which have a bearing on how the industry is perceived.



Opportunities for enhancement

Despite the increased activities required to support the implementation of the OAGO audit recommendations, RECO continued to deliver on its mandate while also embracing the opportunity to review the economy, efficiency, and effectiveness of its delivery.

I am pleased that so many of the recommendations in the OAGO report align very closely with RECO's existing strategy to modernize its approach to administering the law in the public interest. This includes rolling out a new risk-based inspection model that will enhance the way we conduct inspections proactively to ensure greater compliance with the law, and a new mandatory information guide to ensure every Ontarian has the information they need to ensure their real estate transaction is carried out safely and securely.

The OAGO's report presents opportunities to enhance the important work we do, and we are well underway with our plan to address the 25 recommendations presented by the OAGO. We will be providing regular public updates to demonstrate our progress.

Into the future

As we embark on these changes over the next year, I want to thank RECO staff who are essential for our continued progress and the successes for 2022. Thank you as well to our board for the strategic guidance and foresight that remains essential now and into the future.

Michael Beard

Registrar's message

Over the past year, RECO continued to work with the provincial government on important changes to the laws that govern those trading in real estate in Ontario. Some of the key changes include a new principle-based code of ethics, enhanced disclosures for those engaged in real estate transactions, more clarity about the options consumers have for interacting with brokerages, the removal of the barrier to seller's real estate agents disclosing contents of offers with instruction of the seller, and the introduction of a mandatory consumer information guide published by RECO.

RECO has made considerable progress toward the launch of the new laws designed to increase consumer confidence and protection, balanced with the needs of the profession.

The changes will strengthen consumer protection and, in turn, raise consumer confidence in the real estate profession.

Innovative service delivery

RECO introduced an innovative decision format for complaints which provided more information to the parties, helping to explain the rationale for the outcome. Managing discipline cases effectively and efficiently is important.

To manage issues involving lockbox or unauthorized entry to properties promptly and effectively, RECO piloted an early-resolution option that permitted registrants to accept responsibility for their actions and receive a penalty in line with those matters that proceeded through the more formal process. The pilot was a success, and the program has been implemented.

High complaint inventory and incoming complaint volumes made for a tough start to the year, but RECO staff did a tremendous job working to restore our target and processing time service levels.

Moving to paperless registration certificates was well received by registrants and application processing times were well within target service standards.

Increased coverage limits for consumer deposit and commission protection insurance will provide more protection and peace of mind to registrants and their clients.

Reducing the number of cheque payments required for insurance renewal collection also aimed to streamline transactions for greater efficiency.

New leaders of the inspection and investigation teams worked hard to renovate processes for effectiveness and efficiency which aligns well with the recommendations of the Office of the Auditor General of Ontario.

The future of education

RECO continues to develop the next phase of its long-term registration education vision, which involves moving to an open market for the delivery of programs with more educational institutions.

A new learning management system for the Mandatory Continuing Education (MCE) program will launch early in 2023, introducing greater flexibility and access to content, and a better overall user experience.

Thank you to the RECO team for another year of dedication to supporting the promotion of a safe and informed marketplace for the consumers of Ontario.

As I reflect on all the important work we accomplished in 2022, I am proud of everything we achieved, and will continue to achieve, together. The employees of RECO are the core of our organization and our greatest asset. Because of their hard work and dedication, we continue to deliver on our mission every single day.

Joseph Richer



Strategic plan 2019-2023

Modern regulation for a dynamic marketplace

This plan enhances our commitment to being a modern, progressive regulator by embedding transparency and accountability at the heart of everything we do.

Strategic goal #1

Deliver innovative, progressive regulation



Strategic goal #2

Support an informed real estate market in Ontario



Strategic goal #3

Create a resilient organization



STRATEGIC PLAN TIMELINE

2018

Development of our five-year strategic plan


2019

2020

2021

2022

Year four of implementation



2023

Completion of our five-year strategic plan

Report on objectives

RECO's 2022 business plan laid out the project/initiative which is aligned with these accomplishments and under the three strategic goals.

Strategic Goal #1: Deliver innovative, progressive regulation

2022 PROJECT/INITIATIVE	2022 ACCOMPLISHMENTS
<p>Goal 1.1: Establish relevant data sets necessary to meet regulatory responsibilities and design practices, including the necessary analytical capability to mine and learn from those data.</p>	
<p>Ongoing focus to mature the organizational data strategy and associated policies to improve collection and analysis of data in order to provide greater management reporting (for example, complaint, inspection, registration and hearings data categories).</p>	<ul style="list-style-type: none"> • Registration: Reduced the number of payments required from registrants by aligning the registration and MCE fees • Registration: Expanded our online services and shifted to exclusively paperless registration certificates • Complaints: Introduced new decision format for complaint outcomes to improve consistency • Complaints: Reduced complaint inventory and processing times • Inspections: Established a process to review information collected by inspectors to help RECO focus on a risk-based inspection model to be implemented
<p>Goal 1.2: Expand our strategic capacity to allow us to monitor our operating environment to ensure efficacy of our regulatory practices and of our policies using current methodologies of data analysis.</p>	
<p>Develop and implement revised inspection model that includes different types of inspections and an approach to scheduling that balances the need to inspect all brokerages regularly and provides additional focus on those brokerages demonstrating lower levels of compliance.</p>	<ul style="list-style-type: none"> • Initiated the development of a new approach to brokerage inspections to optimize resources and for greater focus on brokerages presenting a higher risk to consumer protection and demonstrating lower levels of compliance. The approach aligns with the recommendations made by the Office of the Auditor General of Ontario
<p>Goal 1.3: 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.</p>	
<p>Communicate and support registrant compliance around any legislative reforms, through communication with registrants, website updates, MCE courses and social media.</p>	<ul style="list-style-type: none"> • Prepared for <i>Trust in Real Estate Services Act, 2020</i> (TRESA) changes, including an impact review for all MCE courses • Updated registrants through social media and e-blasts about legislative changes
<p>Goal 1.4: Design and make available to registrants enhanced information and guidance on professional standards, delivered in various formats and media.</p>	
<p>Implement long-term solution for MCE, inclusive of a program delivery platform and delivery methods.</p>	<ul style="list-style-type: none"> • Developed a new learning management system to introduce enhancements to improve user experience. Launch is expected early in 2023
<p>Assessment of existing training against revised competency profile.</p>	<ul style="list-style-type: none"> • Completed review of competencies against the content of the salesperson and broker education programs and found no significant gaps relating to the specific regulatory-based competencies

Develop base informational materials for both buyers and sellers, to be later distributed through a variety of channels, including registrants.

- Developed framework for the RECO information guide that will be provided to every prospective client and self-represented party

Goal 1.5: Implement a new Registration Education Program as the first step towards an open marketplace, greater choice in education and an independent certification exam.

Develop strategy and begin implementation of future phases of Registration Education Program (diploma, independent certification and multiple vendors).

- Developed eligibility standards for designates to deliver the salesperson and broker education programs in preparation for an open market where multiple designates will deliver the program

Strategic Goal #2: Support an informed real estate market in Ontario

2022 PROJECT/INITIATIVE

2022 ACCOMPLISHMENTS

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

Continuation of consumer and registrant campaigns and initiatives, including consumer guide, website updates, social media campaigns, e-blasts, etc.

- Launched a fun and educational online consumer quiz to engage consumers and inform them about real estate laws, their rights and obligations
- Launched Legal Corner in For the RECOrd e-newsletter featuring real-life examples of misconduct, which was well-received by registrants
- Expanded audience reach by introducing search engine marketing

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

Communicate with local boards to address issues they and their members are facing.

- Engaged with local board leadership to seek input on various topics to understand the areas of concern for registrants and consumers
- Delivered presentations to 14 local boards, supported by a new presentation-request form and presentation template

Provide registrants with a consumer guide to share with clients.

- Developed framework for information guide microsite to support the delivery of the guide

Strategic Goal #3: Create a resilient organization

2022 PROJECT/INITIATIVE

2022 ACCOMPLISHMENTS

Goal 3.1: Create an organizational Sustainability Plan, focusing on fiscal needs, human resources, facilities and capital requirements.

Identify further process automation processes and develop project implementation plans.

- Paperless registration certificates allow for the immediate delivery of certificates compared to letter mail
- Implemented a follow-up process to collect delinquent unclaimed trust deposits for failed transactions not remitted to RECO by brokerages
- Continued focus on establishing robust operational and project plans for success

Continue updates to IT infrastructure, moving to the cloud and improving security of systems and infrastructure.

- Progress continued on cloud migration of RECO's primary software solution, with final testing and implementation scheduled for Q2 2023
- Numerous enhancements to network security were made throughout the year, including improved device management, intrusion detection and distributed security



By the numbers

RECO protects the public interest through:

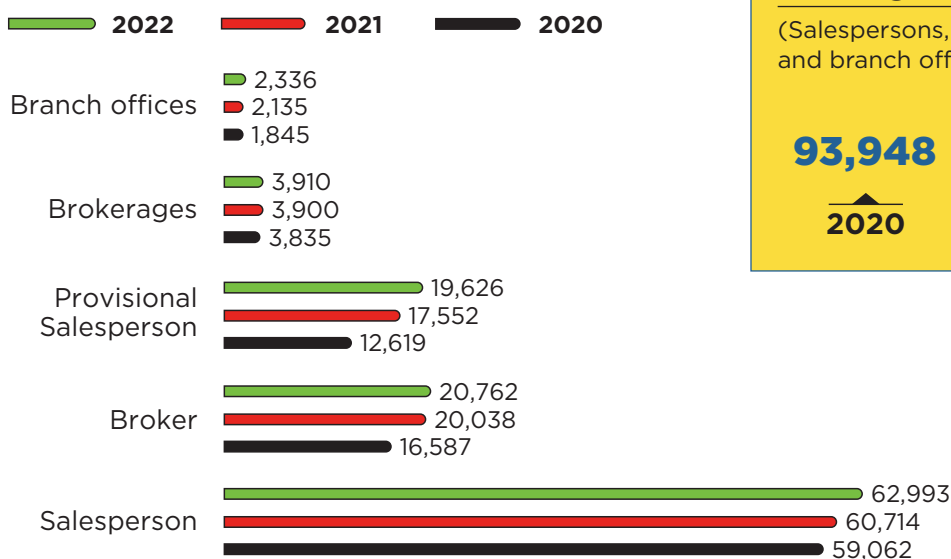
- Enforcing the standards required to obtain and maintain registration as a brokerage, broker or salesperson
- Establishing registrant education requirements, including pre-registration, articling, broker and continuing education
- Conducting inspections of brokerages to ensure compliance with REBBA 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

In this section of the annual report, data for the current reporting year is accompanied by historical data from previously reported years to allow the reader to observe any trends. In those few instances where data from previous years differs from what was reported in previous annual reports, the variances are minor and would not affect any year-over-year comparisons.

Registration

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

Total registrants by category (2020-2022)



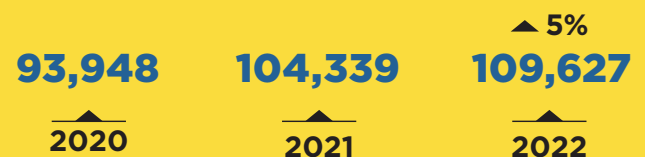
Note: A provisional salesperson is someone in their first two-year, post-registration cycle.

INCREASE IN REGISTRANTS

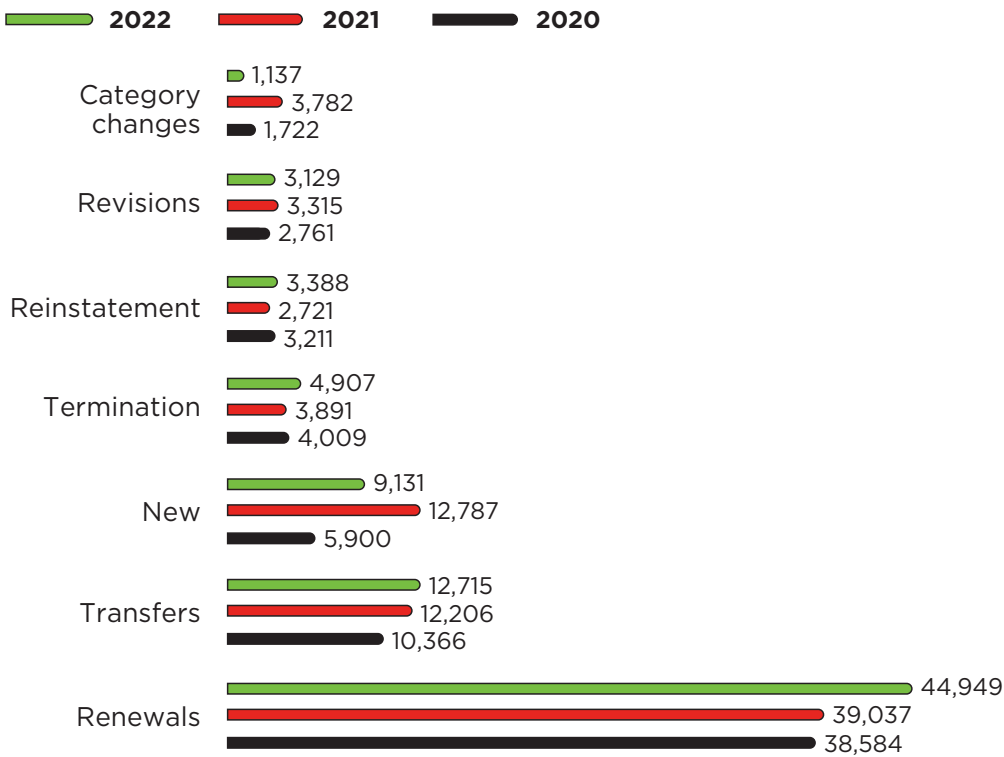
By the end of 2022, more than 109,600 registrants were registered in good standing with RECO—an increase of five per cent over the previous year. Registration experienced growth in all categories in 2022.

Total registrants (2020-2022)

(Salespersons, brokers, brokerages and branch offices)



Total registrant transactions by type (2020-2022)



Education

RECO establishes educational requirements for salespersons and brokers, both to become registered and to maintain their registration. The education program promotes continual learning and competent, knowledgeable, and professional conduct.

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 2022, 21,686 learners started the salesperson program with 8,778 learners completing the program. Additionally, 3,508 learners started the post-registration phase of the program and 2,197 completed the program.

MANDATORY CONTINUING EDUCATION (MCE)

Education is an important part of fostering a safe and informed marketplace for consumers and, as such, registrants 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 we have shifted to require two annual mandatory courses, which allows RECO to produce more timely content for registrants.

In 2022, continuing the enhancements to the education offerings for registrants, RECO embarked on implementing a new learning management system (LMS) to replace the legacy system that was in place for the previous decade. The new LMS provides a platform with enhanced user features for improved content delivery, along with an improved user experience. It will serve as a dependable knowledge hub that can be accessed at any time.

RECO partnered with the Municipal Property Assessment Corporation (MPAC) to launch the introduction to the MPAC MCE elective. The 90-minute course provides learners with an overview of the Ontario Property Assessment System and cycle, MPAC’s role, the correlation between current value assessments, property tax, and more.

After each course, RECO asked learners to complete a short survey. In 2022, the results remained extremely positive with no changes over the previous year.

98% Indicated the content in this course is relevant to my real estate practice.

97% Indicated the activities in this course gave me the opportunity to apply my knowledge of the topics.

97% Indicated the content covered in this course was interesting and easy to follow.

97% Enjoyed that online learning allowed the flexibility of learning at their own convenience and pace.

96% Indicated this course was easy to navigate and understand.

92% Liked the pace of this course; it covered the right amount of content.

Complaints, compliance and discipline

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

MANAGING THE COMPLAINTS INVENTORY

In 2022, RECO opened 2,106 complaints, 17 per cent fewer than in 2021, and closed nine per cent fewer than in 2021. More complaints were closed than opened in 2022.

Complaints opened vs. closed (2020-2022)

	2020	2021	2022
Opened	2,465	2,524	2,106
Closed	2,251	2,674	2,445

RECO reset its service standard target for the time it takes to process complaints, reducing from a target of 120 days to 110 days.

On average over the year, it took 124 days for complaints to be processed, including the collection and assessment of information and documents. This is an improvement of nine per cent from the previous year. During the last few months of the year, the service level was well below the

110-day target. The team expects to be able to maintain the service standard, which is posted publicly on a quarterly basis, now that the surge of complaints has levelled off.

In 2022, RECO refined its process to manage the volume of complaints to continue meeting its service standards. The active complaint inventory was reduced by 60 per cent over 2021.

At the end of 2022, RECO had 222 complaints remaining active/in progress, well within its target of 200-400 complaints.

Number of active complaints at year-end (2020-2022)



Of all the complaints submitted in 2022, 73 per cent came from consumers, 24 per cent came from registrants and three per cent came from others (internal, anonymous, police, financial institution, others, or registrar). These numbers hover around the same values each year.

PROGRESSIVE ACTION TAKEN

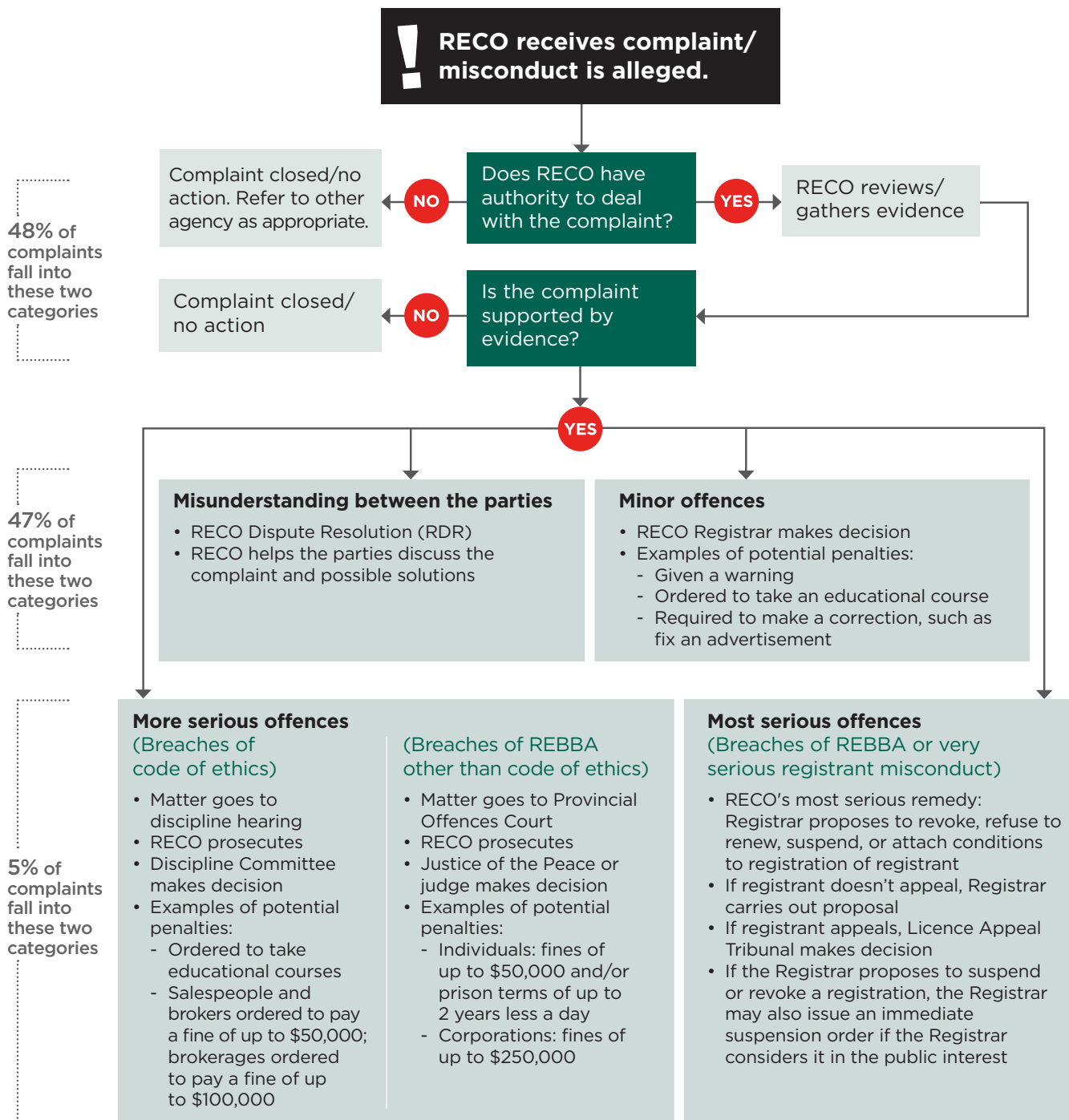
RECO takes a progressive approach to discipline that considers the nature of the complaint. Outcomes range from taking no action if a complaint isn't supported by evidence or falls outside its legislated mandate, to taking administrative action, such as issuing a warning, ordering a registrant to take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

PROCESS IMPROVEMENTS

RECO's measures to manage and reduce the complaint inventory include a detailed screening process to determine from the outset if a complaint is trivial in nature, does not represent a breach on the part of the registrant, is outside its jurisdiction, or can be resolved informally. These measures were introduced in 2017 to help focus RECO's investigative resources on substantive complaints where it has authority, thereby assisting RECO to manage the complaints volume inventory.

In 2022, RECO introduced a new decision format for complaint outcomes to increase consistency and to provide more information to the parties. In addition, RECO tested an early-resolution approach for cases involving lockbox or unauthorized entry to handle such issues more quickly and efficiently. The pilot was successful and the program has since been implemented.

UNDERSTANDING RECO'S DISCIPLINE PATHS AND OUTCOMES



! RECO receives complaint/misconduct is alleged.

Complaint closed/no action. Refer to other agency as appropriate.

NO

Does RECO have authority to deal with the complaint?

YES

RECO reviews/gathers evidence

Complaint closed/no action

NO

Is the complaint supported by evidence?

YES

Misunderstanding between the parties

- RECO Dispute Resolution (RDR)
- RECO helps the parties discuss the complaint and possible solutions

Minor offences

- RECO Registrar makes decision
- Examples of potential penalties:
 - Given a warning
 - Ordered to take an educational course
 - Required to make a correction, such as fix an advertisement

More serious offences (Breaches of code of ethics)

- Matter goes to discipline hearing
- RECO prosecutes
- Discipline Committee makes decision
- Examples of potential penalties:
 - Ordered to take educational courses
 - Salespeople and brokers ordered to pay a fine of up to \$50,000; brokerages ordered to pay a fine of up to \$100,000

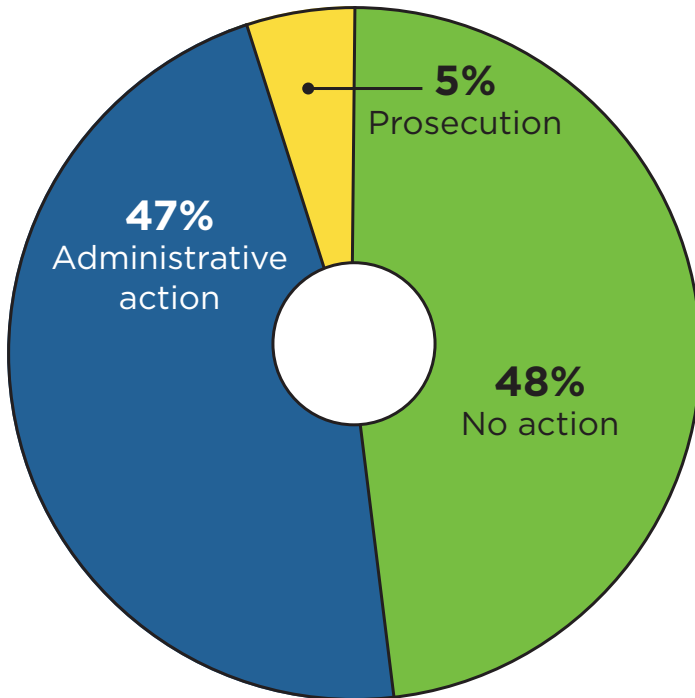
(Breaches of REBBA other than code of ethics)

- Matter goes to Provincial Offences Court
- RECO prosecutes
- Justice of the Peace or judge makes decision
- Examples of potential penalties:
 - Individuals: fines of up to \$50,000 and/or prison terms of up to 2 years less a day
 - Corporations: fines of up to \$250,000

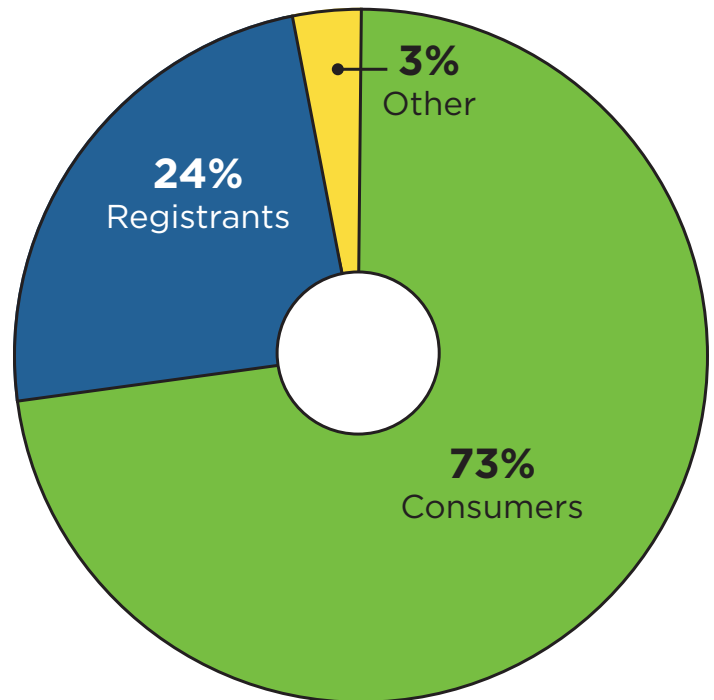
Most serious offences (Breaches of REBBA or very serious registrant misconduct)

- RECO's most serious remedy: Registrar proposes to revoke, refuse to renew, suspend, or attach conditions to registration of registrant
- If registrant doesn't appeal, Registrar carries out proposal
- If registrant appeals, Licence Appeal Tribunal makes decision
- If the Registrar proposes to suspend or revoke a registration, the Registrar may also issue an immediate suspension order if the Registrar considers it in the public interest

Action for complaints closed (2022)



Distribution of complaints made by consumers, registrants and other (2022)



TOP COMPLAINTS

Registrants are required to provide ethical, competent and professional service to consumers. Of the complaints that were closed with some administrative action (such as a warning or an order for the registrant to take a course) or sent for prosecution, 58 per cent included an element of failing to act with fairness, honesty or integrity; 37 per cent included an element of unprofessional conduct; 19 per cent included an error or misrepresentation; and 18 per cent included an element of failing to provide conscientious or competent services. Note that a single complaint may include multiple categories.

Top complaint categories (2022)

(% complaints closed with action)



Inspections

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

Prior to the COVID-19 pandemic, face-to-face inspections provided opportunities to educate brokers of record about maintaining current and accurate records and for them, in turn, to ask questions about leading practices in compliance.

RECO inspections fell into four categories:

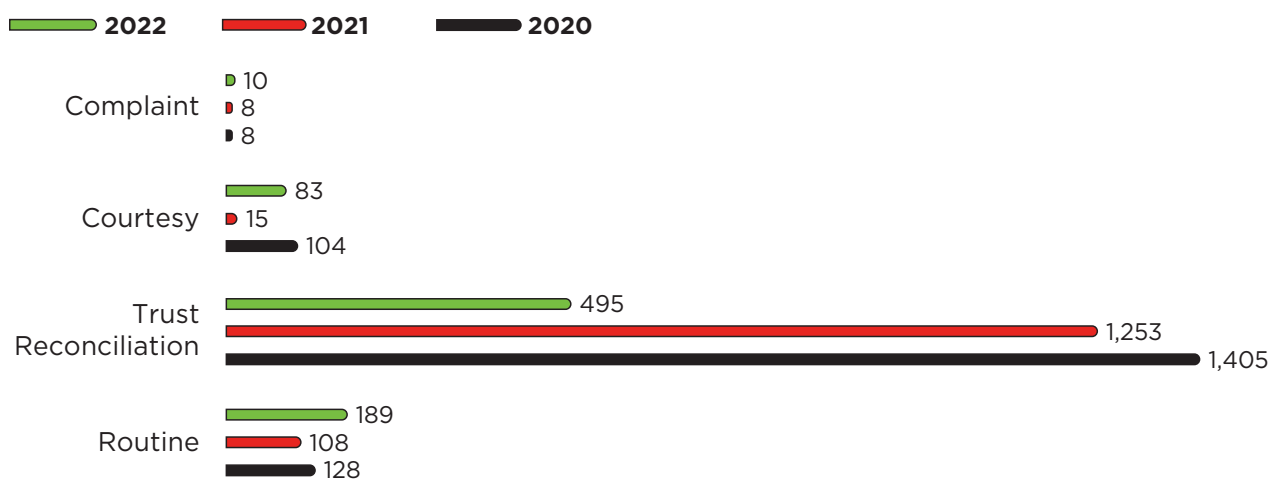
- Inspections generated by complaints
- Courtesy inspections with newly established brokerages to help them ensure that their businesses are following regulatory requirements
- Inspections of brokerage trust account reconciliation statements (typically conducted remotely)
- Routine onsite inspections of brokerages

There was a significant decrease in routine inspections and an increase in trust reconciliation inspections starting in 2020 due to the pandemic.

In 2022, RECO inspectors conducted 777 inspections in total, comprising routine inspections, trust reconciliation inspections, courtesy (new brokerage) inspections, or complaint-based inspections. This is down 44 per cent from the previous year.

The number of inspections completed in 2022 is down approximately 30 per cent from the pre-pandemic three-year average (2017-2019). Planning the transition back to in-person inspections for RECO and brokerages affected the time available to carry out inspections. Resourcing constraints also played a role as department manager and inspector positions were vacant for most of the year. In early 2023, the team is expected to be fully staffed to meet or exceed pre-pandemic numbers over the next year.

Inspections completed by category (2020-2022)



Investigations

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

Outcomes related to prosecutions and convictions can be found on RECO's website at www.reco.on.ca

The table below shows investigations conducted by investigators appointed under REBBA. Typically, these are matters that are escalated for further investigation from an inspection, a complaint, or a registration issue.

Investigations opened and closed (2020-2022)

	2020	2021	2022
Opened	122	121	109
Closed	112	134	73

In 2022, investigations were primarily conducted remotely, and hearings were attended virtually. Also in 2022, investigations led to 10 prosecutions in Provincial Offences Court.

The penalties for these convictions included fines totaling \$15,000. There was no restitution ordered by the court.

PROPOSALS TO REFUSE, REVOKE OR SUSPEND A REGISTRATION

The registrar's 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 takes and is reserved for the most serious of circumstances.

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

Registrants who fail to pay their annual insurance premium are suspended immediately on the September 1 payment deadline.

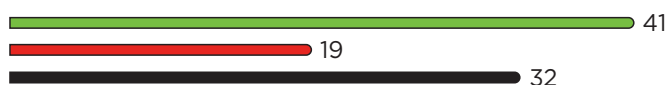
Registrar’s proposals issued (2020-2022)

2022 2021 2020

Proposals issued to refuse, refuse to renew, revoke, apply conditions, or suspend registration



Proposals issued due to non-payment of insurance premiums



Discipline and appeals hearings

RECO’s Discipline and Appeals Committees are statutory tribunals subject to the *Statutory Powers Procedure Act* of Ontario. Complaints involving alleged breaches of the Code of Ethics may be referred to the discipline committee for a hearing. A discipline procedure is initiated when an allegation statement is issued by RECO after receiving and reviewing a complaint. A procedure is closed when a decision is released by the Discipline and Appeals Committee.

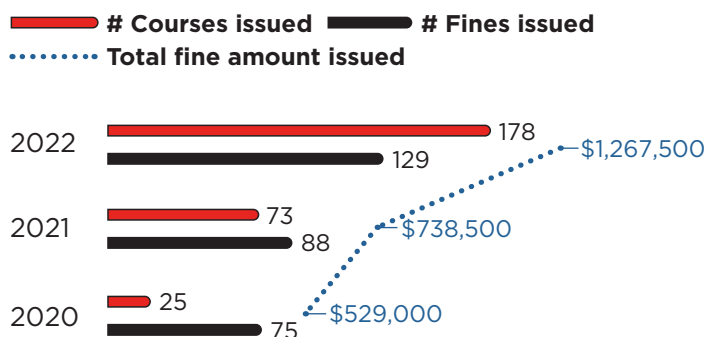
	2020	2021	2022
Discipline procedures initiated	136	97	82
Discipline procedures concluded	77	90	132

As a result of the Humber College investigation into academic misconduct, the registrations of those who were found to have been sanctioned for academic misconduct and who had already become registered with RECO were immediately voided. Those who were sanctioned will be required to complete an additional ethics course requirement to be eligible to apply for registration.

In 2022, 132 cases were concluded through RECO’s Discipline and Appeals Committee. The committee issued \$1,267,500 in fines, compared to \$529,000 in 2020 and \$738,500 in 2021. There was one appeal heard in 2022.

In 2021, RECO introduced the MCE compliance and ethics series of courses, serving as another deterrent in addition to issuing fines and resulting in an increase in the number of courses issued to registrants by the Discipline and Appeals Committee for the subsequent years.

Penalties issued at discipline (2020-2022)

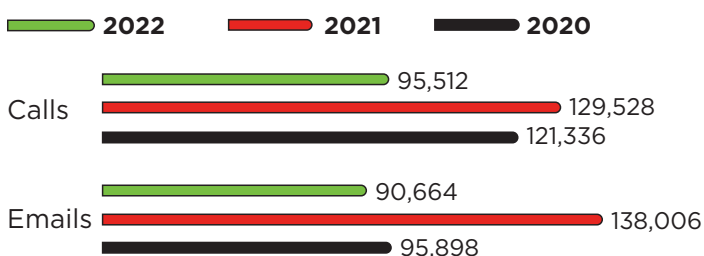


Inquiries

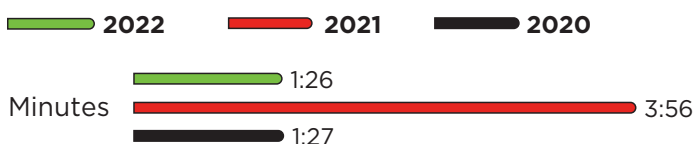
RECO receives thousands of inquiries every month in the form of calls and emails.

RECO aims to answer all calls within a wait-time average of two minutes or less. In 2022, RECO was well within this target with an average call wait time of 1:26 minutes. While the target was not met the previous year, the positive 2022 results were achieved by returning to a full team complement and with a return to more typical inquiry volumes.

Inquiries received (2020-2022)



Average call wait times (2020-2022)



French language services

RECO will continue to respond in French to all written inquiries received in French.

In 2022, RECO received and responded to 16 calls and two complaints in French. RECO did not receive any written French inquiries in 2022.

The French-language website provides key consumer information, and RECO will continue to plan for enhancements through the development of the new website.

RECO's French-language website may be viewed at www.reco.on.ca/fr

Consumer awareness

In 2022, building on its existing organic and paid social media outreach, RECO continued launching social media advertising campaigns targeted to consumers interested in buying and selling real estate. RECO's paid campaigns reached 2.9 million impressions, drove 80,600 clicks to the RECO website, and earned 134,600 engagements. This was a greater digital engagement than in the previous year.

RECO's digital marketing strategy has led to a significant increase in clicks and engagement, despite fewer impressions than the previous year. The improved

consumer-focused content and targeting strategy have resulted in twice as many clicks to the website and triple the engagement compared to 2021.

RECO's weekly Ask Joe columns were distributed through social media with enhancements to the supporting graphic content. RECO is pleased to celebrate 10 years of publication of the Ask Joe column, read by thousands annually.

RECO launched search engine marketing to expand on audience reach through paid search. This resulted in 297,800 impressions and 7,500 clicks to the RECO website.

RECO continued to make progress towards the development of a consumer-focused information guide to summarize the rights, obligations and duties set out in REBBA, and engaged a vendor to create a microsite to host the guide.

RECO launched a consumer quiz to enhance its engaging and educational outreach to consumers.

RECO's 2022 consumer awareness survey indicated that 12% (7% in 2021) of consumers could correctly identify RECO as the organization responsible for regulating real estate brokerages, brokers and salespeople in Ontario. However, RECO is confident that the Consumer Guide being introduced through TRESA in 2023 will have a significant positive impact on the awareness of consumers engaged in property transactions, which is a far more relevant subset of the overall population.

CONSUMER ADVISORY PROCESS

The Consumer and Industry Advisory Group (CIAG) met twice in 2022. During those meetings, RECO sought and received advice from the CIAG about the following:

APRIL 2022 MEETING

- Buyer and seller rights and responsibilities
- REBBA reform
- Consumer survey review
- New RECO website
- Information guide for consumers
- Consumer quiz
- Registrant survey
- Auctions

NOVEMBER 2022 MEETING

- Educating consumers on choosing an agent
- Awareness about RECO among consumers and registrants
- Information guide for consumers
- Trust in the real estate profession
- RECO's new strategic plan





These topics were discussed by the CIAG and RECO management, and perspectives from both consumers and registrants were obtained, which have been applied appropriately. The CIAG Chair reported to the RECO Board on these topics for discussion in December 2022.



2022 YEAR-END SCORES

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

Due to the pandemic and exceptionally high intake volumes, processing times are longer than usual. New and reinstatement applications are our priority. Please check your MyWeb dashboard for application status updates.

SERVICE	TARGET	2022 OVERALL	STATUS 2022 OVERALL	Q1	Q2	Q3	Q4
 Visiting RECO's office If a meeting has not been arranged, visitors will be greeted at reception and wait less than five minutes to speak to someone who is able to provide assistance unless we advise otherwise.	5 min.	2:54 min.	✓	N/A office closed	N/A office closed	1:15 min.	3:55 min.
<div style="background-color: #444; color: white; padding: 5px; display: inline-block;">Office re-opened to the public in September 2022</div>							
 Contacting RECO by phone The wait time when calling RECO's main switchboard is less than two minutes.	2 min.	1:26 min.	✓	1:05 min.	1:16 min.	48 sec.	9 sec.
 Registration application processing* New Salesperson Applications: <ul style="list-style-type: none"> Processed within 10 business days Salesperson/Broker Renewal Applications: <ul style="list-style-type: none"> Processed within eight business days Reinstatement Applications for Brokers and Salespersons: <ul style="list-style-type: none"> Processed within 10 business days New Business Applications: <ul style="list-style-type: none"> Processed within 15 business days 	> 80%	98%	✓	96%	99%	99%	99%
	> 80%	92%	✓	72%	100%	100%	100%
	> 80%	98%	✓	97%	99%	99%	99%
	> 80%	99%	✓	99%	100%	100%	99%
<p><i>*Please note these standards are for non-complex applications and assume all required supporting documentation was provided with the application. Beginning in 2021, our Service Level Agreement for Reinstatement for Brokers and Salespersons, and New Salesperson Applications have been updated from 10 days to eight days.</i></p>							
 Complaints—average time to close Complaints that are not escalated are closed on average within the target time.	110 days	124 days	—	153 days	134 days	113 days	82 days

✓ meeting/exceeding target
 — missing target by ≤15%
 ✗ missing target by >15%

Insurance

RECO administers insurance requirements, which include consumer deposit protection.

PROTECTION FOR CONSUMERS, PROTECTION FOR REGISTRANTS

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

- Consumer deposit insurance protects consumers for loss of deposits caused by fraud, misappropriation of funds or insolvency by a registrant, and for social engineering fraud resulting in the misdirection of funds.
- Errors and omissions coverage provides up to \$1 million to indemnify consumers for losses incurred as a result of errors or omissions committed by registrants during the course of their professional services.
- Commission protection coverage protects registrants from loss of commission caused by fraud, misappropriation of funds or insolvency of a brokerage.

CLAIMS STATISTICS AND TRENDS

CONSUMER DEPOSIT INSURANCE

From the inception of the program on September 1, 2000, to December 31, 2022, there have been 115 occurrences under the consumer deposit coverage. Payment of claims (settlements and expenses) under this coverage is estimated to reach \$8,627,747*.

ERRORS AND OMISSIONS INSURANCE

From the inception of the program on September 1, 2000, to December 31, 2022, there have been 20,529 claims reported. The estimated total cost of claims settlements and expenses under this coverage is estimated to reach \$237,829,378*.

COMMISSION PROTECTION INSURANCE

From the inception of the program on September 1, 2000, to December 31, 2022, there have been 228 occurrences under the commission protection coverage. Payment of claims (settlements and expenses) under this coverage is estimated to reach \$12,474,852*.

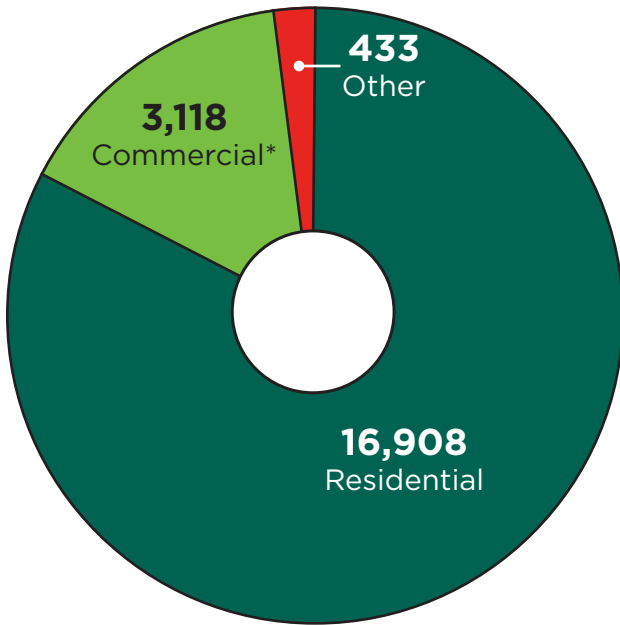
* This figure does not include any provision for the insurer's internal administrative expenses or further development on claims not yet finalized or reported.

KEY STATISTICAL HIGHLIGHTS

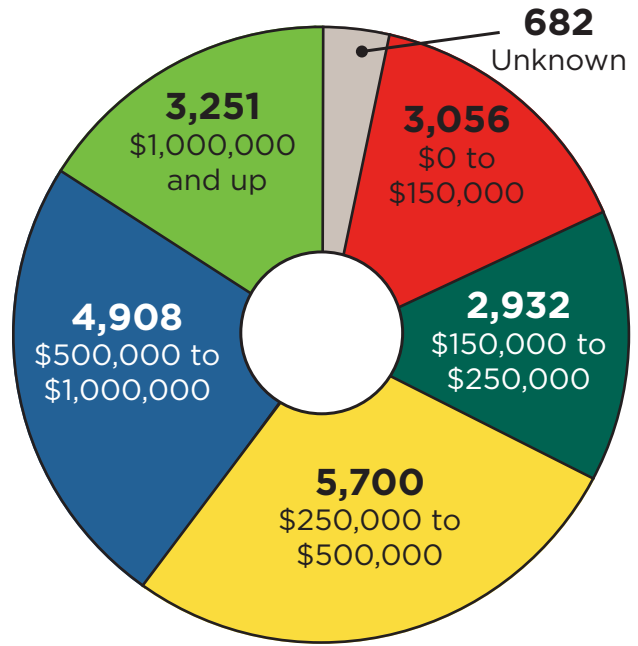
- Most of the activity in the program arises from claims under the errors and omissions insurance coverage.
- A total of 20,529 claims have been reported, of which 1,862 remain open. The program has therefore managed and closed a total of 18,667 claims on behalf of registrants to date.
- Residential 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.
- The number of claims involving transactions that exceed \$250,000 in value comprises approximately 70 per cent of all claims reported, where transaction values are known, which is three per cent higher than last year's report.
- There were 1,225 claims reported in the 12 months ended December 31, 2022, compared with 1,103 claims reported during the same 12-month period one year earlier.



**Claims by transaction type
(Sept. 1, 2000 to Dec. 31, 2022)**

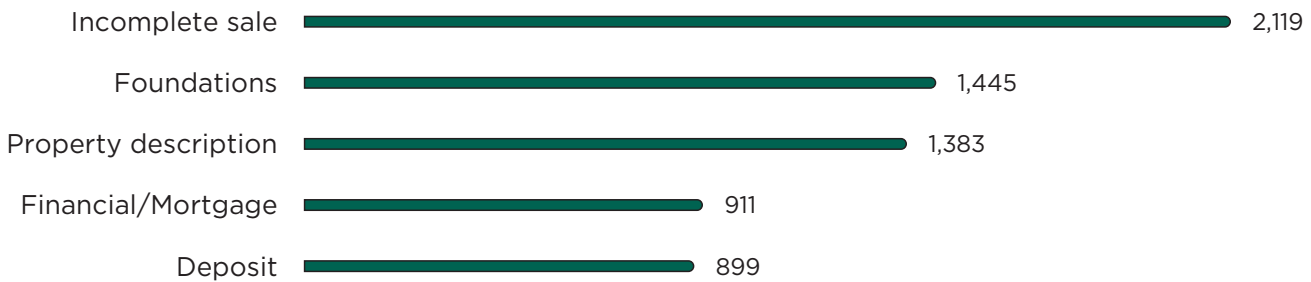


**Claims by value of transaction
(Sept. 1, 2000 to Dec. 31, 2022)**



Note: Claims for unknown transaction values are now tracked separately in the chart. The “unknown” category was previously included in the <\$150,000 group.

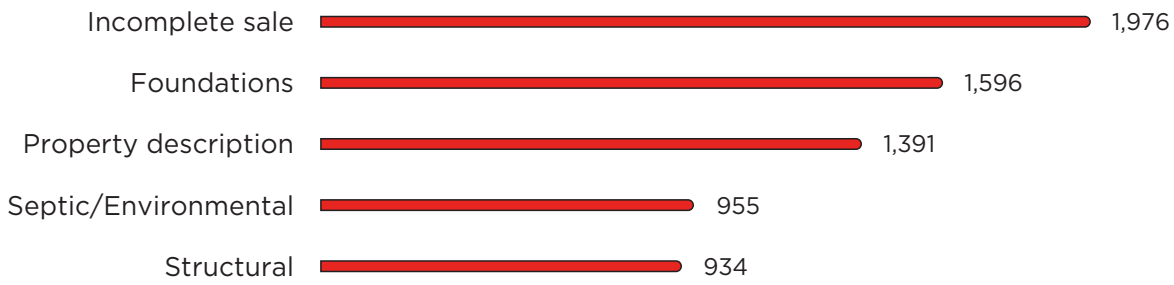
Top five causes of loss - Urban (Sept. 1, 2000 to Dec. 31, 2022)



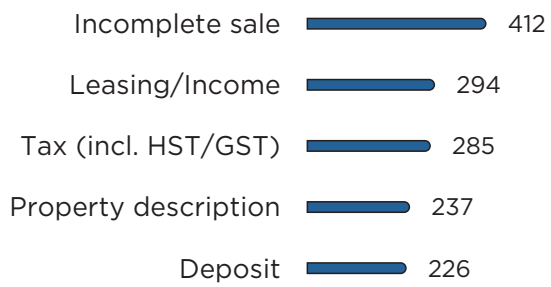
Top five causes of loss - Rural (Sept. 1, 2000 to Dec. 31, 2022)



Top five causes of loss - Residential (Sept. 1, 2000 to Dec. 31, 2022)



Top five causes of loss - Commercial (Sept. 1, 2000 to Dec. 31, 2022)



Financials

Management's Discussion & 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, 2022. 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 future outlook, which is based on management's reasonable assumptions based on information currently available to them.

STRATEGIC GOALS

RECO's strategy focuses on the principles of investing in the professionalism of the industry and the reduction of burden on the business of real estate. RECO's 2022 business plan laid out objectives aligned with these principles and RECO's three strategic goals:

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

RECO manages potential risks to the achievement of its strategic objectives through its Enterprise Risk & Innovation Management (ERIM) 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 resulting from the onset of the pandemic and to identify and monitor ongoing medium- to long-term risks and opportunities.

In 2022, RECO kicked off the development of the next strategic plan, which will guide RECO from 2024 to 2026 and beyond.

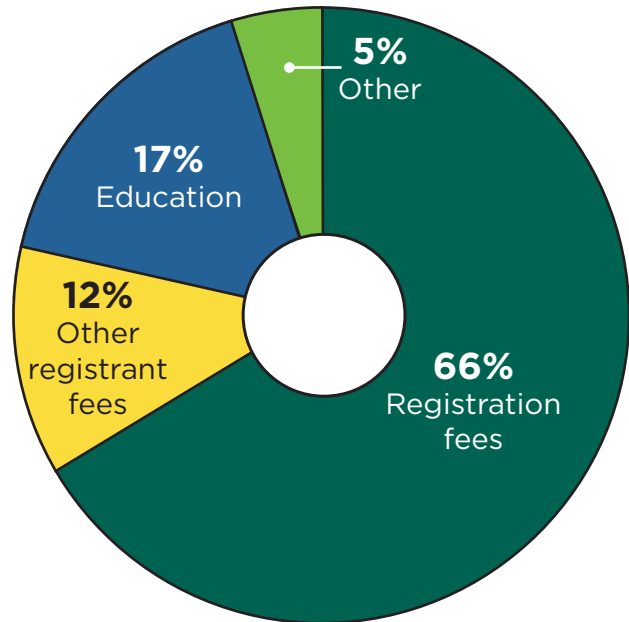
GENERAL OPERATIONS

COMPARATIVE FINANCIAL RESULTS

RECO's surplus was \$5 million in 2022, compared to \$11.3 million in 2021—a decrease of \$6.3 million.

REVENUES

2022 operational revenues were composed of registration fees, other registrant fees, education, and other.



Real estate as a profession in Ontario remains attractive. The number of registrants increased by 5,290, or 5.1 per cent, to 109,629.

The year-over-year increase in the number of registrants drove the increase in revenues in registration fees.

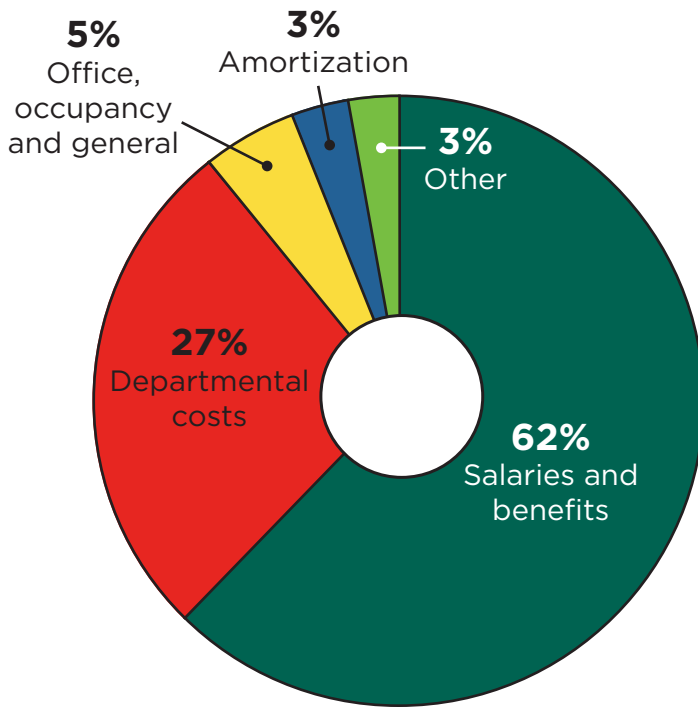
The decrease in other registrant fees (comprising transfer fees and application review fees) was primarily a result of fewer new applicants registering with RECO in 2022 than in 2021.

Education revenues include registration education revenue from programs delivered by Humber College, as well as Mandatory Continuing Education (MCE) programs delivered by RECO. Registration education revenues decreased, primarily due to fewer student enrolments at Humber College.

Other income was composed of disciplinary fines, other fees, and assessments. The increase in other income is largely attributable to an increase in disciplinary procedures concluded in 2022.

EXPENSES

The 2022 expenses were composed of salaries and benefits, departmental costs, office occupancy and general, amortization and other.



As a service organization, RECO's salaries and benefits were the largest expense in 2022, representing 62 per cent of total operating costs.

Salaries and benefits have increased, largely due to the increased staffing levels associated primarily with the following business projects and initiatives:

- Investment in website enhancements, social media campaigns and other consumer and registrant campaigns
- Implementation of a long-term solution for mandatory continuing education
- Development of a strategy to begin the implementation of future phases of the registration education program

The increases noted above were partially offset by the continued redeployment of staff and reassignment of work across the organization.

Departmental costs were higher due to costs associated with the business projects and initiatives noted above, and a full year of investment management fees from the implementation of the new Statement of Investment Policy & Procedures near the end of 2021. Corporate insurance costs were higher, primarily due to an increase in the cost of cyber coverage. The increases were partially offset by savings realized from lower consulting costs as communications work was brought in-house.

Office, occupancy and general costs, and amortization expenses were lower due to a scaled-down office space.

Board remuneration and expenses were higher with more in-person meetings.

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

Bad-debt expenses were lower due to improved collections of disciplinary fines.

Other 2022 expense line items were in line with 2021.

INVESTMENT INCOME

RECO invests its capital in accordance with its statement of investment policy and procedures ("SIPP"). While 2022 was a challenging year for investments, the losses realized were in line with RECO's risk tolerance. RECO's portfolio continues to be positioned defensively for preservation of capital over the long term.

CAPITAL EXPENDITURES

Capital expenditures were higher than the previous year because of an office reconfiguration project undertaken in 2022. The project supported RECO's transition to a hybrid work model and optimized the use of a scaled-down office space.

OPERATIONS OUTLOOK FOR 2023

RECO's budgeted surplus is expected to be \$5.4 million in 2023, compared to \$5 million in 2022 - an increase of \$0.4 million.

REVENUES

RECO implemented fee reductions on March 1, 2023. The reductions (below) are being funded by RECO's reserves and will be in place for the foreseeable future.

- 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
- For all new and reinstatement applications, the application review fee dropped from \$200 to \$50

Revenues are expected to be lower by \$1.6 million compared to 2022, primarily because of the fee reductions. Lower revenues are also expected from the registration education program delivered by Humber as enrolments are expected to be modestly lower. While overall revenues are lower, other sources of revenue are expected to be higher with the number of registrants projected to increase by approximately 3 per cent.

EXPENSES

Expenses are expected to increase by \$3.6 million, or 15 per cent, due primarily to investments in human capital and higher departmental costs in 2023. The 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 vision will involve moving to an open market for the delivery of programs with more educational institutions.

The anticipated increase in salaries and benefits represents a combination of new hires and vacancies filled. The additional resources will address an increase in work volumes across the organization due to recent growth in the number of registrants and will provide the organization with the necessary staff to achieve its business plan initiatives.

In addition to the increase in human capital, the 2023 budget includes additional investment of \$2.2 million to support RECO's business plan initiatives. Initiatives include:

- Finalize organizational data strategy and associated policies and identify new data sets required to improve collection and analysis of data to provide greater management reporting
- Develop and implement revised inspection model, including risk-based approaches
- Implement and communicate legislative changes, including updated education programs, IT system changes and web content updates
- Advocate for future legislative changes
- Develop content management strategy for MCE program
- Assess existing training against revised competency profile
- Implement agreements with alternate service providers to allow an open marketplace for registration education program delivery
- Launch consumer information guide through registrants
- Review and define RECO's brand strategy
- Identify and implement further process-automation processes to reduce burden on business and become more environmentally responsible
- Continually improve IT infrastructure, addressing security, efficiency and service

The increase in salaries and benefits and departmental costs will be partially offset by lower office, occupancy, and general costs because of moving to a scaled-down office space during 2022.

INVESTMENT INCOME

Investment income is expected to be higher by \$5.6 million than in 2022, with an expected return close to 4 per cent, compared to a loss of nearly 8 per cent in 2022. 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 2023 outside of computer hardware and the completion of RECO's website enhancements.

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)
- 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 deficit was \$2.5 million in 2022, compared to a deficit of \$878k in 2021. The increase in the deficit was primarily a result of unfavourable investment returns and an \$8-per-registrant subsidy 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 2022 which contributed to a deficit of \$1.1 million.

INSURANCE OUTLOOK FOR 2023

A surplus of \$1.9 million is expected for the insurance program in 2023 which is primarily the result of an increase in contribution rates to the Program Stability Fund. Contribution rates to the administration fund will continue to be lower than the cost of administering the program, drawing on the accumulation of the administration fund in past years.

Independent auditors' report



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Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

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, 2022
- 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, 2022, 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.



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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.



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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.



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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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 30, 2023

REAL ESTATE COUNCIL OF ONTARIO

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	Operations Fund		Insurance Program Fund		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets:						
Cash (note 2)	\$ 3,993,224	\$ 3,071,351	\$ 1,522,294	\$ 1,049,612	\$ 5,515,518	\$ 4,120,963
Short-term investments (note 3)	5,001,148	–	–	–	5,001,148	–
Accounts receivable (note 13(b))	4,105,660	2,961,168	–	–	4,105,660	2,961,168
Deposits and prepaid expenses	755,029	226,035	–	–	755,029	226,035
Total current assets	13,855,061	6,258,554	1,522,294	1,049,612	15,377,355	7,308,166
Investments (note 3)	46,802,587	50,654,548	26,415,028	28,670,295	73,217,615	79,324,843
Capital assets (note 4)	3,900,749	508,829	–	–	3,900,749	508,829
Intangible assets (note 5)	1,231,562	1,494,722	–	–	1,231,562	1,494,722
Total assets	\$ 65,789,959	\$ 58,916,653	\$ 27,937,322	\$ 29,719,907	\$ 93,727,281	\$ 88,636,560
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 7)	\$ 1,723,790	\$ 1,096,750	\$ 281,662	\$ 156,017	\$ 2,005,452	\$ 1,252,767
Accrued insurance premiums	–	–	1,551,734	1,824,251	1,551,734	1,824,251
Government fee payable (note 6)	314,590	259,403	–	–	314,590	259,403
Deferred lease inducement (note 7)	97,693	23,817	–	–	97,693	23,817
Deferred registration fees (note 8(a))	16,606,314	16,268,235	–	–	16,606,314	16,268,235
Deferred insurance fees (note 8(b))	–	–	1,467,629	548,989	1,467,629	548,989
Total current liabilities	18,742,387	17,648,205	3,301,025	2,529,257	22,043,412	20,177,462
Deferred lease inducement (note 7)	879,231	–	–	–	879,231	–
Deferred registration fees (note 8(a))	5,868,588	5,926,088	–	–	5,868,588	5,926,088
Total liabilities	25,490,206	23,574,293	3,301,025	2,529,257	28,791,231	26,103,550
Net assets:						
Investment in capital assets and intangible assets	5,132,311	2,003,551	–	–	5,132,311	2,003,551
Restricted insurance program fund (Schedule)	–	–	24,636,297	27,190,650	24,636,297	27,190,650
Internally restricted operating reserve	13,000,000	13,000,000	–	–	13,000,000	13,000,000
Unrestricted	22,167,442	20,338,809	–	–	22,167,442	20,338,809
Total net assets	40,299,753	35,342,360	24,636,297	27,190,650	64,936,050	62,533,010
Commitments and contingencies (notes 10 and 12)	–	–	–	–	–	–
Total liabilities and net assets	\$ 65,789,959	\$ 58,916,653	\$ 27,937,322	\$ 29,719,907	\$ 93,727,281	\$ 88,636,560

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Operations Fund		Insurance Program Fund		Total	
	2022	2021	2022	2021	2022	2021
(Schedule)						
Revenue:						
Registration and insurance fees (note 8)	\$ 21,411,612	\$ 19,765,134	\$ 1,295,897	\$ 1,292,293	\$ 22,707,509	\$ 21,057,427
Other registrant fees	3,869,400	4,758,100	–	–	3,869,400	4,758,100
Education (note 9)	5,427,307	6,672,475	–	–	5,427,307	6,672,475
Other income	1,466,776	1,021,471	199,842	182,059	1,666,618	1,203,530
Total revenue	32,175,095	32,217,180	1,495,739	1,474,352	33,670,834	33,691,532
Expenses:						
Salaries and benefits	14,617,805	13,446,687	–	–	14,617,805	13,446,687
Departmental costs	6,397,708	5,721,733	–	–	6,397,708	5,721,733
Office, occupancy and general	1,139,611	1,447,363	–	–	1,139,611	1,447,363
Board remuneration and expense	230,314	160,413	–	–	230,314	160,413
Amortization (notes 4 and 5)	668,826	971,344	–	–	668,826	971,344
Government oversight fees (note 6)	401,058	327,476	–	–	401,058	327,476
Elections and annual general meeting	38,208	20,961	–	–	38,208	20,961
Bad debt (recovery)	(74,128)	90,261	–	–	(74,128)	90,261
Loss on disposal of capital assets	68,631	129,456	–	–	68,631	129,456
Net premiums	–	–	875,451	1,963,579	875,451	1,963,579
Insurance administration	–	–	1,185,061	1,212,037	1,185,061	1,212,037
Total expenses	23,488,033	22,315,694	2,060,512	3,175,616	25,548,545	25,491,310
Excess (deficiency) of revenue over expenses before investment income	8,687,062	9,901,486	(564,773)	(1,701,264)	8,122,289	8,200,222
Change in fair value of investments	(4,872,790)	608,208	(2,854,636)	360,351	(7,727,426)	968,559
Other investment income	1,143,121	776,530	865,056	463,135	2,008,177	1,239,665
Investment income (loss)	(3,729,669)	1,384,738	(1,989,580)	823,486	(5,719,249)	2,208,224
Excess (deficiency) of revenue over expenses	\$ 4,957,393	\$ 11,286,224	\$ (2,554,353)	\$ (877,778)	\$ 2,403,040	\$ 10,408,446

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

					2022	2021
	Investment in capital assets and intangible assets	Restricted insurance program fund (Schedule)	Internally restricted operating reserve	Unrestricted	Total	Total
Balance, beginning of year	\$ 2,003,551	\$ 27,190,650	\$ 13,000,000	\$ 20,338,809	\$ 62,533,010	\$ 52,124,564
Excess (deficiency) of revenue over expenses	–	(2,554,353)	–	4,957,393	2,403,040	10,408,446
Purchase of capital and intangible assets	3,866,217	–	–	(3,866,217)	–	–
Loss on disposal of capital assets	(68,631)	–	–	68,631	–	–
Amortization of capital and intangible assets	(668,826)	–	–	668,826	–	–
Balance, end of year	\$ 5,132,311	\$ 24,636,297	\$ 13,000,000	\$ 22,167,442	\$ 64,936,050	\$ 62,533,010

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	Operations Fund		Insurance Program Fund		Total	
	2022	2021	2022	2021	2022	2021
Cash flows from (used in) operating activities:						
Registration fees	\$ 21,692,191	\$ 22,166,430	\$ –	\$ –	\$ 21,692,191	\$ 22,166,430
Other registrant fees	3,829,800	4,791,500	–	–	3,829,800	4,791,500
Education receipts	5,619,887	5,437,206	–	–	5,619,887	5,437,206
Insurance premium fees receipts	–	–	46,790,798	43,543,448	46,790,798	43,543,448
Insurance program stability fees receipts	–	–	1,560,607	364,659	1,560,607	364,659
Insurance administration fees receipts	–	–	653,930	506,538	653,930	506,538
Other receipts	331,997	854,710	200,307	181,594	532,304	1,036,304
Insurance premiums paid	–	–	(47,938,765)	(45,073,330)	(47,938,765)	(45,073,330)
Cash paid to suppliers and employees	(21,806,929)	(21,742,808)	(1,059,881)	(1,203,714)	(22,866,810)	(22,946,522)
Total cash flows from (used in) operating activities	9,666,946	11,507,038	206,996	(1,680,805)	9,873,942	9,826,233
Cash flows from (used in) investing activities:						
Investment income received	1,143,121	954,304	865,056	510,630	2,008,177	1,464,934
Investment purchase, net	(6,021,977)	(26,362,304)	(599,370)	(1,807,692)	(6,621,347)	(28,169,996)
Purchase of capital assets	(3,866,217)	(188,971)	–	–	(3,866,217)	(188,971)
Purchase of intangible assets	–	(63,404)	–	–	–	(63,404)
Total cash flows from (used in) investing activities	(8,745,073)	(25,660,375)	265,686	(1,297,062)	(8,479,387)	(26,957,437)
Net increase (decrease) in cash	921,873	(14,153,337)	472,682	(2,977,867)	1,394,555	(17,131,204)
Cash, beginning of year	3,071,351	17,224,688	1,049,612	4,027,479	4,120,963	21,252,167
Cash, end of year	\$ 3,993,224	\$ 3,071,351	\$ 1,522,294	\$ 1,049,612	\$ 5,515,518	\$ 4,120,963

See accompanying notes to financial statements.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements

Year ended December 31, 2022

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").

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

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

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

All reserves are managed by RECO as required by RECO's Policy on Financial Reserves.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

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.

(b) Revenue recognition:

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

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

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

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

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

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.

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.

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(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, 2022

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 2022 and 2021.

(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, 2022

3. Investments:

	Operations Fund		Insurance Program Fund	
	2022	2021	2022	2021
Fixed income:				
Canadian	\$ 24,406,388	\$ 25,488,129	\$ 10,954,417	\$ 14,461,213
Foreign	5,938,663	2,521,663	3,351,435	1,428,943
Total fixed income	30,345,051	28,009,792	14,305,852	15,890,156
Equities:				
Canadian	4,266,156	4,528,703	2,415,607	2,566,265
Foreign	12,031,676	13,446,169	6,826,421	7,619,496
Total equities	16,297,832	17,974,872	9,242,028	10,185,761
Private equity:				
Canadian real estate	5,160,852	4,669,884	2,867,148	2,594,378
Total investments	51,803,735	50,654,548	26,415,028	28,670,295
Less investments classified as short-term				
	5,001,148	–	–	–
Total long-term	\$ 46,802,587	\$ 50,654,548	\$ 26,415,028	\$ 28,670,295

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").

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Investments (continued):

As at December 31, 2022, short-term investments of Canadian fixed income consisted of guaranteed investment certificates with an interest rate of 5.15% and a maturity date of June 2023.

4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 1,323,474	\$ 1,008,067	\$ 315,407	\$ 316,278
Office furniture and equipment	708,069	278,113	429,956	33,738
Leasehold improvements	3,260,639	105,253	3,155,386	158,813
Total	\$ 5,292,182	\$ 1,391,433	\$ 3,900,749	\$ 508,829

In the current year, amortization expense related to capital assets totaled \$405,666 (2021 - \$705,054).

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Intangible assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Management information system	\$ 2,479,306	\$ 1,289,239	\$ 1,190,067	\$ 1,437,998
Computer software	469,476	427,981	41,495	56,724
Total	\$ 2,948,782	\$ 1,717,220	\$ 1,231,562	\$ 1,494,722

In the current year, amortization expense related to intangible assets totaled \$263,160 (2021 - \$266,290).

6. Administrative agreement:

An administrative agreement exists between RECO and the Ministry of Government and Consumer Services (the "Agreement"). Amounts payable under the Agreement are recognized in the year incurred. In the current year, \$401,058 (2021 - \$327,476) 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 Government and Consumer Services.

April 1, 2022 to March 31, 2023	\$ 419,453
April 1, 2023 to March 31, 2024	419,453

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

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 \$452,626 related to graduated rental increases is recorded in accounts payable and accrued liabilities (2021 - \$7,939).

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, 2021	\$ 23,817
Lease inducements received in 2022	1,009,488
Less amounts amortized to office, occupancy and general in 2022	56,381
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Balance, December 31, 2022	976,924
Amounts to be amortized in 2023	97,693
<hr/>	
Amounts to be amortized in 2024 and subsequent years	\$ 879,231

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

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, 2021	\$ 22,194,323
Registration fees received in 2022	21,692,191
Less amounts recognized as revenue in 2022	21,411,612
<hr/>	
Balance, December 31, 2022	\$ 22,474,902
<hr/>	
Amounts to be recognized as revenue in 2023	\$ 16,606,314
Amounts to be recognized as revenue in 2024	5,868,588
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Balance, December 31, 2022	\$ 22,474,902
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REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Deferred revenue:

(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, 2021	\$ 220,260	\$ 328,729	\$ 548,989
Insurance payments received in 2022	1,560,607	653,930	2,214,537
Less amounts recognized as revenue in 2022	742,657	553,240	1,295,897
Balance, December 31, 2022 and amounts to be recognized as revenue in 2023	\$ 1,038,210	\$ 429,419	\$ 1,467,629

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Education revenue:

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

For amounts receivable under the education programs delivered by OREA, for the period commencing April 1, 2016, RECO is entitled to \$42 per enrollment, minus reimbursements, for student contracts for vocational programs signed on or after April 1, 2016 to be paid quarterly, and \$32 per enrollment, minus reimbursements, for student contracts for vocational programs signed prior to April 1, 2016 to be paid quarterly. OREA ceased delivering the program on June 11, 2021.

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:

2023	\$ 394,599
2024	394,599
2025	394,599
2026	412,953
2027	412,953
Thereafter	2,156,532
Total	\$ 4,166,235

REAL ESTATE COUNCIL OF ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Funds held in trust:

RECO holds in trust consumer deposits transferred by brokers as dormant trust funds. As at December 31, 2022, these deposits amounted to \$6,256,062 (2021 - \$5,183,819). 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, 2022

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, 2022

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 \$830,046 (2021 - \$904,174) for disciplinary fines receivable.

REAL ESTATE COUNCIL OF ONTARIO

Schedule of Insurance Program Fund Balances

Year ended December 31, 2022, with comparative information for 2021

	Insurance Premium Fund	Program Stability Fund	Insurance Administration Fund	Total	
				2022	2021
Revenue:					
Insurance fees	\$ –	\$ 742,657	\$ 553,240	\$ 1,295,897	\$ 1,292,293
Other income	–	–	199,842	199,842	182,059
Total revenue	–	742,657	753,082	1,495,739	1,474,352
Expenses:					
Net premiums	875,451	–	–	875,451	1,963,579
Insurance administration	–	–	1,185,061	1,185,061	1,212,037
Total expenses	875,451	–	1,185,061	2,060,512	3,175,616
Excess (deficiency) of revenue over expenses before investment income	(875,451)	742,657	(431,979)	(564,773)	(1,701,264)
Change in fair value of investments	–	(1,884,055)	(970,581)	(2,854,636)	360,351
Other investment income	–	570,937	294,119	865,056	463,135
Investment income (loss)	–	(1,313,118)	(676,462)	(1,989,580)	823,486
Deficiency of revenue over expenses	(875,451)	(570,461)	(1,108,441)	(2,554,353)	(877,778)
Accumulated fund balances, beginning of year	–	25,056,590	2,134,060	27,190,650	28,068,428
Interfund transfer	875,451	(875,451)	–	–	–
Accumulated fund balances, end of year	\$ –	\$ 23,610,678	\$ 1,025,619	\$ 24,636,297	\$ 27,190,650

Governance

Board of Directors

RECO is governed by a 12-person board of directors, comprising nine elected representatives registered under REBBA and three members appointed by the Minister of Public and Business Service Delivery. The RECO Board of Directors is responsible for providing the organization with purpose and strategic direction using effective oversight and strong governance principles. The code of conduct for directors of the board is included as Schedule C in the Administrative Agreement.

The day-to-day management of RECO is the responsibility of the CEO, in accordance with the policies and budget established by the RECO Board of Directors. The powers and duties imposed under REBBA are carried out by the registrar. The management team and staff support the delivery of programs and services for consumers and registrants. As of December 31, 2022, RECO had 159 full-time employees.

ELECTED DIRECTORS

CHAIR

Steve Boxma, Broker

Royal LePage Team Realty, Manotick
End of Term: End of AGM 2023

VICE-CHAIR

Katie Steinfeld, Broker

On The Block Realty Inc., Woodbridge
End of Term: End of AGM 2023

Rui Alves, Broker

iPro Realty Ltd., Mississauga
End of Term: End of AGM 2023

Frank Dattilo, Broker of Record

Dattilo Realty Inc., Windsor
End of Term: End of AGM 2024

Rebecca Himelfarb, Broker

Forest Hill Real Estate Inc., Toronto
End of Term: End of AGM 2024

Tim Lee, Broker

Century 21 Explorer Realty Inc., Carleton Place
End of term: End of AGM 2025

Krystal Lee Moore, Broker

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

John O'Sullivan, Broker

RE/MAX Hallmark Realty Group, Ottawa
End of Term: End of AGM 2024

David Schooley, Broker

RE/MAX Twin City Realty Inc., Kitchener
End of Term: End of AGM 2023

APPOINTED DIRECTORS

Janet Cloud

3Cs Corporation
End of Term: End of AGM 2023

Phillip Richardson

Black Opal Property Advisors
End of Term: End of AGM 2025

One ministerial director position is vacant.

Board Committees

AUDIT, RISK, FINANCE & INSURANCE COMMITTEE

Five 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 & 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 AND 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 AND ORGANIZATIONAL PERFORMANCE COMMITTEE

Five 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 Committees*

DISCIPLINE COMMITTEE

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.

APPEALS COMMITTEE

Hears, considers, and decides appeals related to Discipline Committee decisions.

**Members of the board of directors cannot be appointed to the Discipline Committee or the Appeals Committee.*

Other

REGISTRAR'S EDUCATION ADVISORY COMMITTEE

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 following board policies were reviewed in 2022:

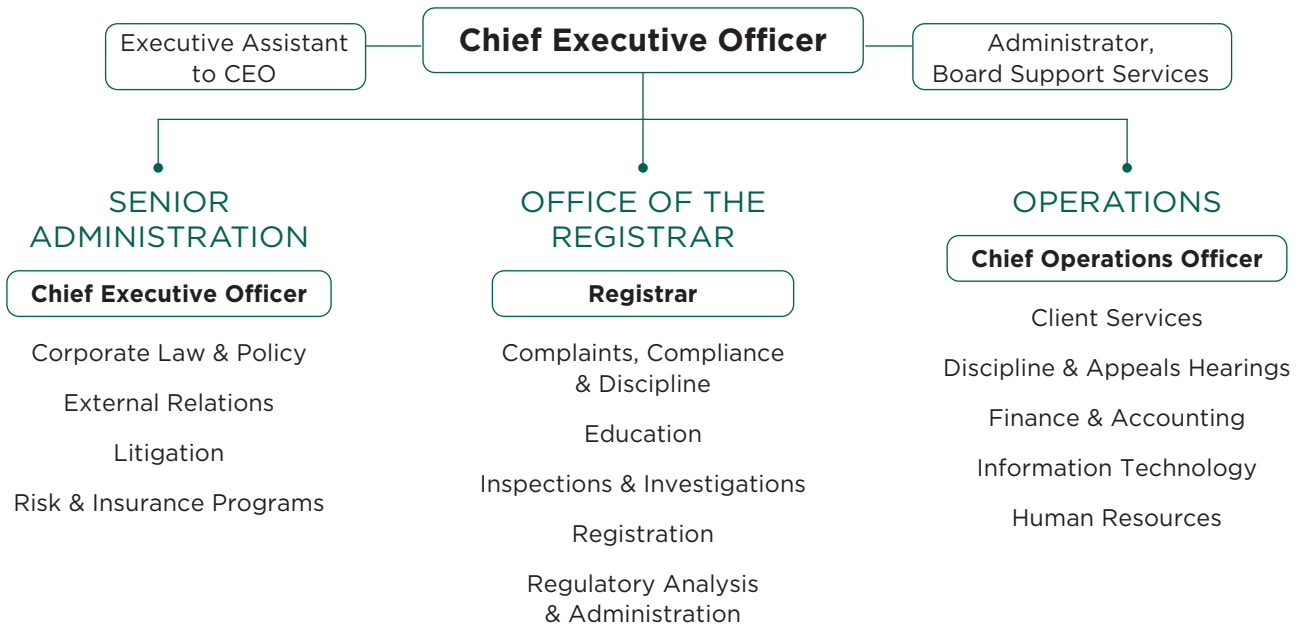
- Policy on Corporate Policy
- Policy on Appointment of Chair and Vice Chair
- Policy on Board, Committee and Other Assessments
- Policy on Committee of the Board of Directors
- Policy on Corporate Compliance
- Policy on CEO Performance Evaluation

Law amendments

There were no changes to the by-laws in 2022.

Management

Organizational structure at year end, 2022



CHIEF EXECUTIVE OFFICER

MICHAEL BEARD

CHIEF EXECUTIVE OFFICER

Elizabeth Benson

Administrator, Board Support Services

George Drametu

Director, Litigation

Ruth Garrett

Director, Risk & Insurance Programs

Christine Harminc

Director, External Relations

REGULATORY DIVISION

JOSEPH RICHER

REGISTRAR

Lisa Key

Deputy Registrar, Compliance

Gail McGuire

Deputy Registrar, Education

Glen Furlong

Manager, Investigations

Paul Lush

Manager, Education Programs

Rosary Perez

Manager, Education Vision

Michelle Plucas

Manager, Audit & Inspection

Glen Thomas

Manager, Complaints, Compliance & Discipline

Angela Volpe

Manager, Registration

Lisa Wall

Manager, Education Operations

OPERATIONS DIVISION

BRENDA BUCHANAN

CHIEF OPERATIONS OFFICER

Tim Bates

Director, Finance & Accounting

Ben Draper

Director, Information Technology (interim)

Adam Freyseng

Director, Client Services

Sylvia Mauti

Director, Human Resources

Vasko Markovski

Manager, Application Development

Martin McKenzie

Manager, Accounting

Raquel Smith

Manager, Discipline & Appeals Hearings



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