



2020 ANNUAL REPORT RESILIENCY MODERNIZATION ADAPTABILITY INNOVATION





CORPORATE PROFILE

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) on behalf of the Government of Ontario. 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
- Promoting ongoing education for — and competent, knowledgeable and professional service by — RECO staff

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

In 2020, RECO began a reconsideration and restatement of its core values through an organization-wide consultation process. As this process is ongoing, the following statement of values represents the traditional values that have informed RECO's work through the years.

Fairness: Act impartially and equitably

Accountability: Administering (REBBA) in accordance with the law

Integrity: Truthfulness and trustworthiness

Respect: Treating everyone with courtesy





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STRATEGIC PLAN

MODERN REGULATION FOR A DYNAMIC MARKETPLACE

STRATEGIC PLAN
2019-2023



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

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

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

STRATEGIC PLAN TIMELINE

Development
of our five-year
Strategic Plan

Year two of
implementation

Completion
of our five-year
Strategic Plan

2018

2019

2020

2021

2022

2023





CHAIR'S MESSAGE

TAMER FAHMI



*To suggest that 2020 was a
challenging year for everyone
feels like an understatement.*

The pandemic hit right around when the spring real estate market starts to heat up and everything came to a grinding halt while the industry and society broadly sought to understand COVID-19 and how best to contain it, or “flatten the curve.” The 90,000+ registrants in Ontario and the real estate industry so vital to our economy was in limbo, forced to contend with an unknown virus, a series of necessary restrictions and protocols, and a new normal.

Then, something truly remarkable happened. Adaptation, Resilience, Modernization and Innovation. The industry bounced back, relying on the adaptability and innovation of registrants and the support of industry organizations like Ontario Real Estate Association and local real estate boards. Consumers also found a way to be resilient and adaptable, leaning heavily on their registrants and embracing new technologies and new ways of doing business.

Heading into 2021 we saw an active, strong real estate market.

Adaptability, Resilience, Modernization and Innovation

As Chair of the Board, I am proud to say that RECO embraced these principles, which is why we chose the theme of Adaptability, Resilience, Modernization and Innovation for the 2020 Annual Report.

As you will read in this report, RECO almost seamlessly adapted to the pandemic, continued to deliver on its important mandate and truly didn't miss a beat. The senior management and staff are to be commended for their unwavering commitment and dedication, as well as their embracing of new technologies and new approaches.

The results in the Annual Report speak for themselves.

Systemic Racism and Discrimination

2020 also brought social upheaval with the Black Lives Matter movement and a stronger spotlight on the important issue of systemic racism and discrimination. The RECO Board understands that the real estate profession is not exempt from this systemic issue and is committed to raising awareness to ensure we have a real estate industry that is fair and free of racism, discrimination and hate.

Change doesn't come overnight, but we as a profession must continue to push for inclusion, recognize systemic racism and be an ally and supporter to all.

Modern Regulation for a Dynamic Marketplace

In 2020 RECO progressed through year two of its five year strategic plan, *Modern Regulation for a Dynamic Marketplace*. This is an ambitious and comprehensive plan that aims to evolve RECO further toward a modern regulator, promoting awareness and engagement with registrants and consumers, while creating a resilient organization.

I am proud of the progress we have made along this strategic plan.

Consumer Protection

Consumer protection is a key component for RECO's mandate and one that is inextricable from the regulatory framework, as well as the complaints and discipline process. I know — and the statistics bear this out — that the vast majority of those in the real estate profession act with integrity and good faith while providing an essential service to real estate buyers and sellers. RECO has an important role to play in enforcing the rules when they are broken.

“
For any regulated profession, accountability to well-defined rules is paramount to maintaining public protection and trust in the profession.”

At the Board level, we also wanted more insights and learnings into the consumer landscape, so in 2020 we reconstituted the Industry Advisory Group into the Consumer and Industry Advisory Group, adding consumer representatives to broaden the perspectives and advice we are receiving.

Recognizing Excellence

It has been a privilege and a pleasure to have served as chair of RECO, and I thank the RECO Board of Directors for their support, expertise and governance this year. I also want to thank the incredible group of executives and senior leaders at RECO, who have truly been adaptable, resilient, modern and innovative this past

year delivering RECO's important mandate under extraordinary circumstances. But most of all I want to thank the dedicated and talented staff at RECO, without whom the accomplishments in this Annual Report could not have occurred.

Please continue to read about RECO's accomplishments in 2020.



CEO'S MESSAGE

MICHAEL BEARD



*It is a year like 2020 that puts
an organization to the test.*

The emergence of COVID-19 early in 2020 derailed the lives and plans of everyone, and RECO was no exception. We knew we needed to be adaptable: that is important for a regulator in an ever-changing industry, but more so in 2020. We knew we needed to be resilient: that is important when faced with an unexpected pandemic and the need to weather the uncertainty of the market and of public health measures designed to keep us healthy and safe.

We also knew we needed to modernize to not only reflect a changing regulatory environment, but to help us be resilient and ensure RECO continues to fulfil its important mandate. In truth, a number of modernizing activities — like virtual office work, paperless billing, online services — were already contemplated and underway, but the pandemic accelerated our adoption. And for some challenges we needed to be innovative, to tackle new problems with creative and forward-thinking solutions.

I am proud to say that is what the staff and management at RECO did in 2020, seamlessly shifting to a virtual office and contactless services.

A Strong Strategic Framework

Part of this was that RECO had a strong strategic framework to rely upon. The path that we set in 2019 is foundational to where we are today and, more importantly, did not require us to reset in 2020. While 2020 tested our strategy, we emerged on strong footing and reaffirmed our direction.

An important shift in 2020, however, came with our mission. We looked at the mission statement and revised the first word from “supporting” to “promoting” to indicate a move to a more active approach.

Promoting 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.

Financial Excellence

Despite the significant disruption in 2020, I am pleased to say that RECO's financial health remains strong. While we did see lower than expected increases in the number of registrants and revenue, we contained costs and, through modernization and innovation, were able to find temporary and sustained cost savings.

While we know that the full effects of this pandemic have yet to hit and there is a level of uncertainty in the market, we are confident in our financial position and preparations for the future.

Customer Scorecard

RECO is committed to high levels of service to the public and registrants, setting performance benchmarks each year. Another area of accomplishment in 2020 is our Customer Scorecard results (p. 25). Through the shift to a virtual office and finding new ways to deliver services online or in a virtual setting, RECO still maintained strong results and achieved all targets in our Customer Scorecard.

Diversity and Inclusion

Issues of systemic racism and discrimination catapulted into greater public discourse in 2020 and I knew RECO needed to respond. We issued a diversity and inclusion statement publicly to make our position clear. We ensured RECO staff had additional training in understanding and calling out racism and unconscious bias. For the industry, we collaborated with the Ontario Human Rights Commission to create a new elective course, *Human Rights Fundamentals*, that seeks to promote greater understanding of racism in Canada and how to identify, prevent and address racial discrimination.

“With a tested strategic framework, strong leadership and dedication, I look forward to 2021 knowing we are on strong footing.”

We know that talking about and addressing racism and discrimination — as well as broader issues of diversity and inclusion — are by no means “solved” by these activities. But as an organization RECO is taking a stand and committing to continue promoting diversity and inclusion in the industry, with RECO staff and with RECO as an employer.

Moving Forward

While it was gratifying to see the strategic framework and the adaptability, resilience, modernization and innovation at RECO create a successful 2020 in the face of an unprecedented health crisis, I know the accomplishments in this annual report are because of our greatest resource: people.

It takes a strong and committed board of directors to provide the needed governance and support. It takes a creative and competent senior management team to guide the organization through challenge and change. The stewardship, governance and leadership for RECO and the industry has been incredible. But it is each and every staff member at RECO that truly makes this happen. I sincerely thank them for their dedication, hard work and resilience in 2020.

With a tested strategic framework, strong leadership and dedication, I look forward to 2021 knowing we are on strong footing.



REGISTRAR'S MESSAGE

JOSEPH RICHER



2020 was defined by how we adapted to rapid changes during the pandemic.

In a year the pandemic forced us to rethink our approach to delivering on our mandate, we quickly pivoted to continue to provide essential regulatory services and meet our service standards.

Making it Work, From Home

Prior to March 2020, the delivery of our regulatory activities mostly centred around our physical office. That's where the RECO team processed applications, insurance payments, and complaints, and where the Discipline Committee held its hearings.

During the pandemic, all of that had to change. I'm proud to report that, in an extremely challenging environment, the RECO team was able to pivot to a remote workforce while delivering our mandate in the public interest.

We have learned a great deal from the experience, and the benefits will continue even after the pandemic is over. For example, hosting discipline hearings online streamlines the process a great deal, particularly when panel members or complainants are located far from the RECO offices.

We have also shifted focus to inspections that can be done remotely, rather than going onsite to brokerage offices. Currently, this approach has some limitations, but work is underway to expand the scope of what can be reviewed through remote inspections. This would permanently improve the efficiency and effectiveness of the inspection program.

Throughout the pandemic, we provided guidance to both registrants and consumers, including leading practices about trading during this very unusual time. By building information hubs for consumers and the industry, writing about COVID-19 issues in the "Ask Joe" column in the *Toronto Star*, and sending out regular e-blasts to the profession, we kept registrants up to date so they could support Ontarians as the situation evolved.

Elevating Registrant Education

Providing registrants with high-quality education is an investment in consumer protection and the integrity of the real estate marketplace. We continued to elevate our education programs in 2020, with notable progress in both registration education for new registrants and Mandatory Continuing Education (MCE) for existing registrants.

First, a few key milestones: 2020 marked the first full year of operation of the Real Estate Salesperson Program at Humber College, and the first graduates from the program obtained their registration during the year. Humber also launched the post-registration courses that new registrants must complete during their first two-year registration cycle.

Previously, pre-registration education programs from both Humber College and the OREA Real Estate College required learners to write their exams in person. In the case of Humber, simulation sessions were designed to be conducted in person as well. I'm pleased to report that both providers have pivoted to deliver these components online, while maintaining the integrity of the experience.

We anticipate that learners will continue to benefit from the enhancements post-pandemic, providing greater access across the province.

On the MCE front, we expanded elective course offerings by introducing the two-part *Compliance and Ethics in Real Estate*. We now offer 16 elective courses from which to choose, with more to come. The program also received two awards during the year: a Platinum Hermes Creative Award for the Mortgage Financing course; and, a Brandon Hall Group International Bronze Award for the FINTRAC compliance course. These awards underscore the high-quality content in the MCE program.

Essential Regulatory Reforms

In 2020, the *Real Estate and Business Brokers Act, 2002* (REBBA) was amended, paving the way to permit further changes that will strengthen consumer protection and professionalism in the real estate sector. To date, the government has introduced

personal real estate corporations, and expanded the terms registrants may use to describe themselves in advertising. I am proud of the contribution of the RECO team to support the development, analysis and implementation of the changes.

We continue to work closely with the government on developing or promoting additional regulations. There are a few that are particularly noteworthy:

- Clarifying the relationship between consumers and registrants to eliminate the confusion between the "customer" and "client" relationships as defined today
- Developing a principle-based Code of Ethics, and
- Providing our Discipline Committee with the power to suspend, revoke or add conditions to a registration, thereby expanding their "toolbox" of remedies so that they can more appropriately sanction the wide variety of misconduct it considers.

These are just a few of the many important REBBA changes being considered. For more information, please see RECO's website.

Keeping Our Momentum

I'm proud that during a year of uncertainty, the RECO team was able to adapt and thrive. As we look to the post-pandemic era, I look forward to working together to continue to build upon the positive changes we have made to our operations and our organization.

“ Providing registrants with high-quality education is an investment in consumer protection and the integrity of the real estate marketplace. ”

BY THE NUMBERS

Registration

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

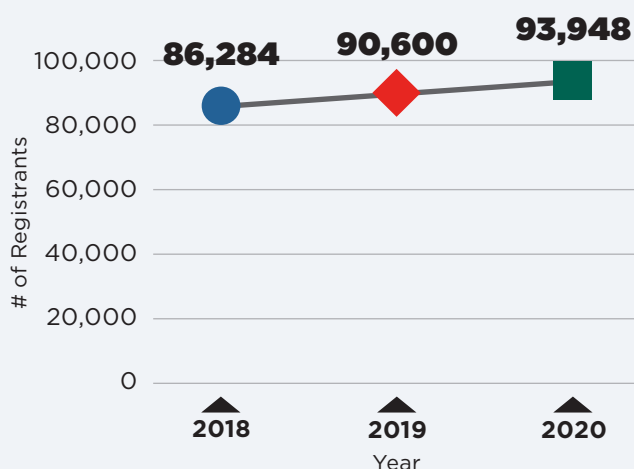
Increase in Registrants

By the end of 2020, more than 93,000 registrants were registered in good standing with RECO, an increase of four per cent over the previous year.

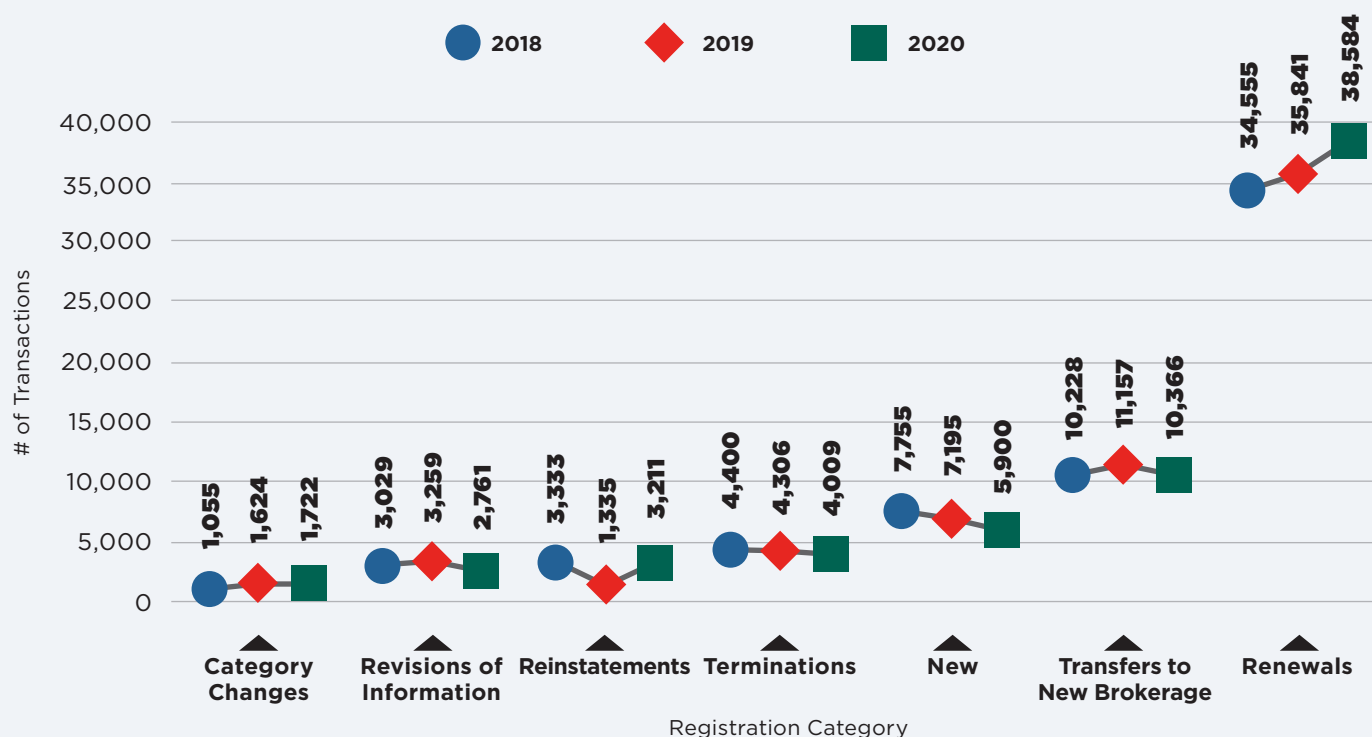
Since 2004, RECO's registrant base has grown by an average of five per cent year-over-year.

TOTAL REGISTRANTS (2018-2020)

(Salespersons, Brokers, Provisional Salespersons, Brokerages and Branch Offices)



TOTAL REGISTRATION TRANSACTIONS BY TYPE (2018-2020)





Personal Real Estate Corporations

In 2020, REBBA was amended to permit a brokerage to pay remuneration owed to a salesperson or broker for trading in real estate to a corporation that meets specific criteria. The corporation is referred to as a personal real estate corporation (PREC).

To set up a PREC, a registrant must notify RECO of the legal name of the PREC and the PREC's address for service. By the end of 2020, registrants reported approximately 4,000 PRECs to RECO.

Education

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

Registration Education

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

RECO has been working to reshape education so that aspiring salespeople are more practice-ready upon entry to the profession. In 2019, RECO, in partnership with Humber College and NIIT Canada, launched the new Real Estate Salesperson Program.

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

In 2020, 17,264 learners had started the Pre-Registration Program, with 1,121 learners completing the entire program. Additionally, in mid-December, the Post Registration Phase was launched, with 89 learners starting the program by year end.

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

Though the simulation sessions and examinations were originally developed to be conducted in-person, due to the COVID-19 pandemic and associated restrictions, RECO worked with Humber College and NIIT Canada to redesign the sessions, for virtual delivery and administer online examinations.

Once the COVID-19 restrictions are lifted, learners will have the options in the future of completing the simulations sessions in-person or virtually.

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 education courses every two years.

In 2020, RECO introduced two new elective courses:

- *Compliance & Ethics in Real Estate Part 1*, providing guidance on legislative obligations relating to interactions with clients, unrepresented consumers, and other real estate professionals; and,
- *Compliance & Ethics in Real Estate Part 2*, providing guidance on navigating multiple representation, offer handling and representation, by focusing on issues that often lead to complaints.

In 2019, RECO also began making selected courses available to non-registrants. In 2020, *FINTRAC Compliance* and *Compliance and Ethics in Real Estate* were opened to non-registrant brokerage employees. By opening this information to non-registrant brokerage employees, RECO is encouraging brokerage compliance with REBBA requirements.

Registrants completed over 107,400 MCE courses in 2020. After each course, RECO asked learners to complete a short survey. In 2020, the results were extremely positive:

- **97 per cent** indicated the content was relevant to their individual real estate practice;
- **97 per cent** indicated the activities gave them the opportunity to apply their knowledge of the topics;
- **97 per cent** indicated the content was interesting and easy to follow;
- **96 per cent** indicated the course was easy to navigate and understand;
- **92 per cent** liked the pace of the course; and,
- **97 per cent** enjoyed that online learning allowed the flexibility of learning at their own convenience and pace.

While RECO's MCE program is broadly viewed in a positive light, RECO is committed to making further enhancements — most notably to accommodate the individual learning needs of registrants. Over the next few years, RECO will explore expanded delivery options.

Complaints, Compliance & 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

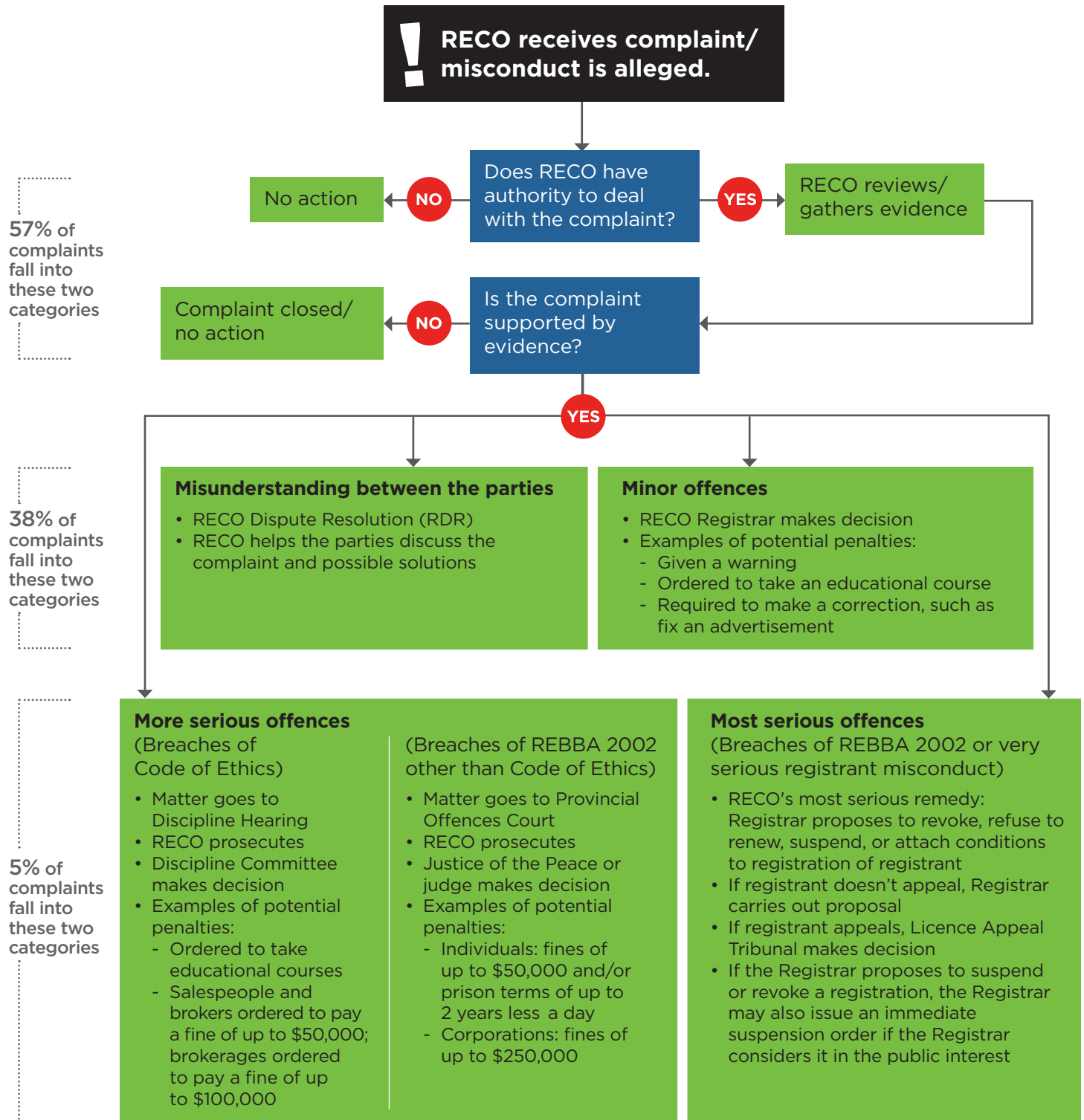
In 2020, RECO opened 23 per cent more complaints than in 2019, which is attributed to the challenges presented by the COVID-19 pandemic and a rapid increase in sales volume following a temporary slowdown due to uncertainty in the market.

RECO's service standard is to maintain an average age of 80 days or less for open complaints and closure within 120 days on average for complaints that are not escalated. In 2020, RECO exceeded both service standard targets for every month of the year.

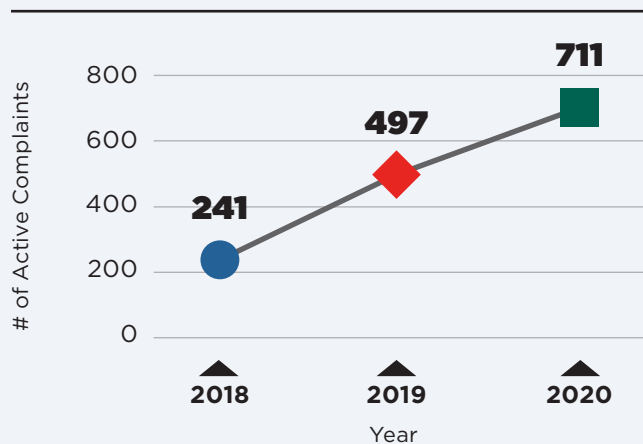
The number of complaints closed increased in 2020, with 2,249 complaints closed by year-end, 30 per cent more than in 2019. The increase in complaints closed can in part be credited to the shift to online processing and paperless complaint handling, along with targeted training, and improved remote work effectiveness prompted by the COVID-19 pandemic.

Despite increased complaints processing, more complaints were opened than closed in 2020. During 2021 RECO aims to further refine its process to manage the increased volume of complaints, in order to continue meeting its service standards.

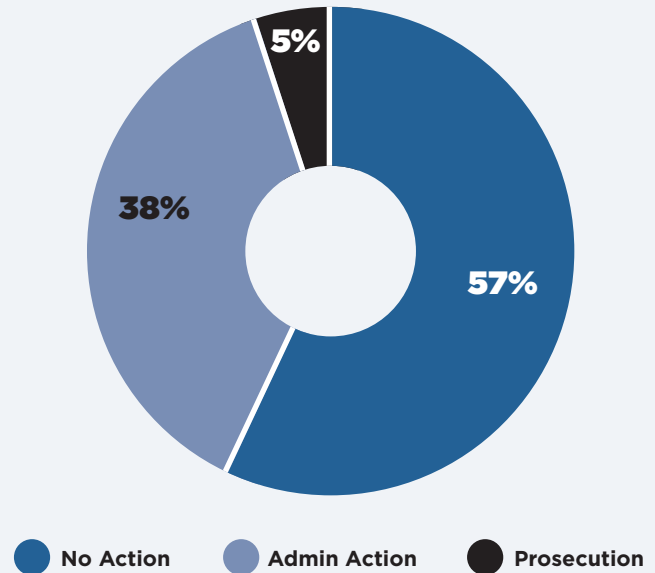
Understanding RECO's Discipline Paths and Outcomes



**NUMBER OF ACTIVE COMPLAINTS
AT YEAR-END (2018-2020)**



ACTION FOR COMPLAINTS CLOSED (2020)



Progressive Action Taken

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

Process Improvements

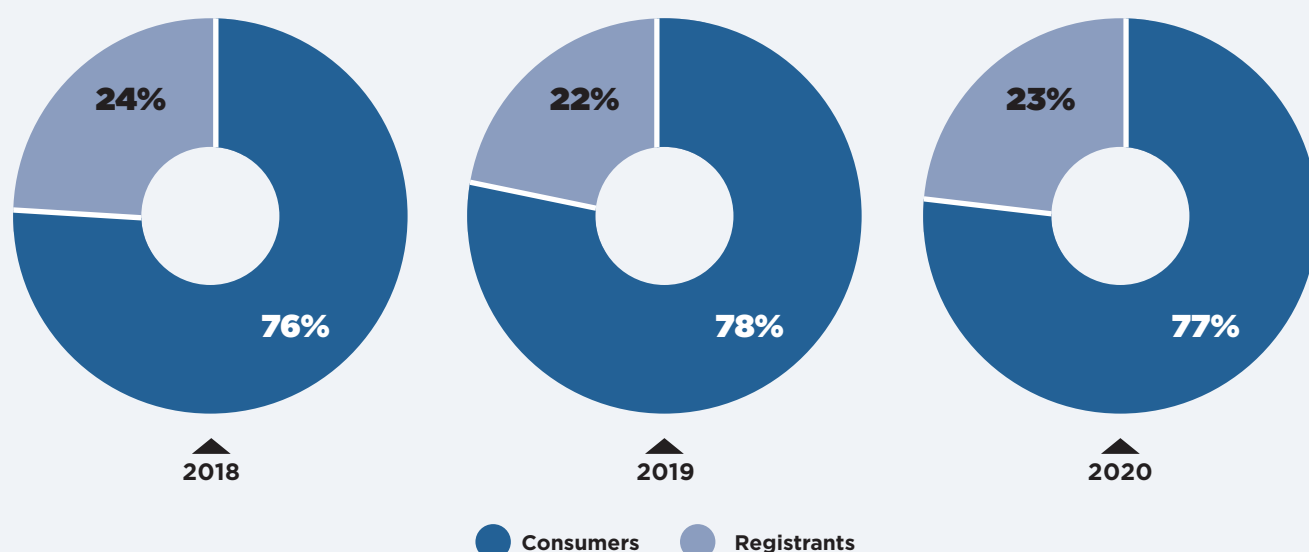
In 2017, RECO introduced new measures to manage and reduce the complaint inventory, including an enhanced screening process to determine, from the start, if a complaint is trivial in nature, outside its jurisdiction, or can be resolved informally.

These measures have helped focus RECO's investigative resources on substantive complaints where it has jurisdiction, thereby assisting RECO in managing the higher complaints volume in 2020.

COMPLAINTS OPENED & CLOSED (2018-2020)

	2018	2019	2020
Opened	1,618	2,010	2,463
Closed	1,767	1,731	2,249

DISTRIBUTION OF COMPLAINTS MADE BY CONSUMERS AND REGISTRANTS (2018-2020)



* Consumer category includes complaints that were filed jointly with a registrant. This is a change in reporting compared to previous years. The 2018 and 2019 data in the chart have been recalculated to match this improved reporting method.

Inspections and Investigations

Inspections

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

RECO conducts inspections of brokerages to make sure they are conducting their business in accordance with REBBA. Prior to the COVID-19 pandemic, the face-to-face contact 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); and
- **Routine** onsite inspections of brokerages.

Due to the impact and restrictions of the COVID-19 pandemic, in March of 2020, all on-site inspections (complaints, courtesy and routine) were suspended. RECO began working with new brokerages, via phone and virtually, to provide them with feedback and support solely for trust account reconciliations which

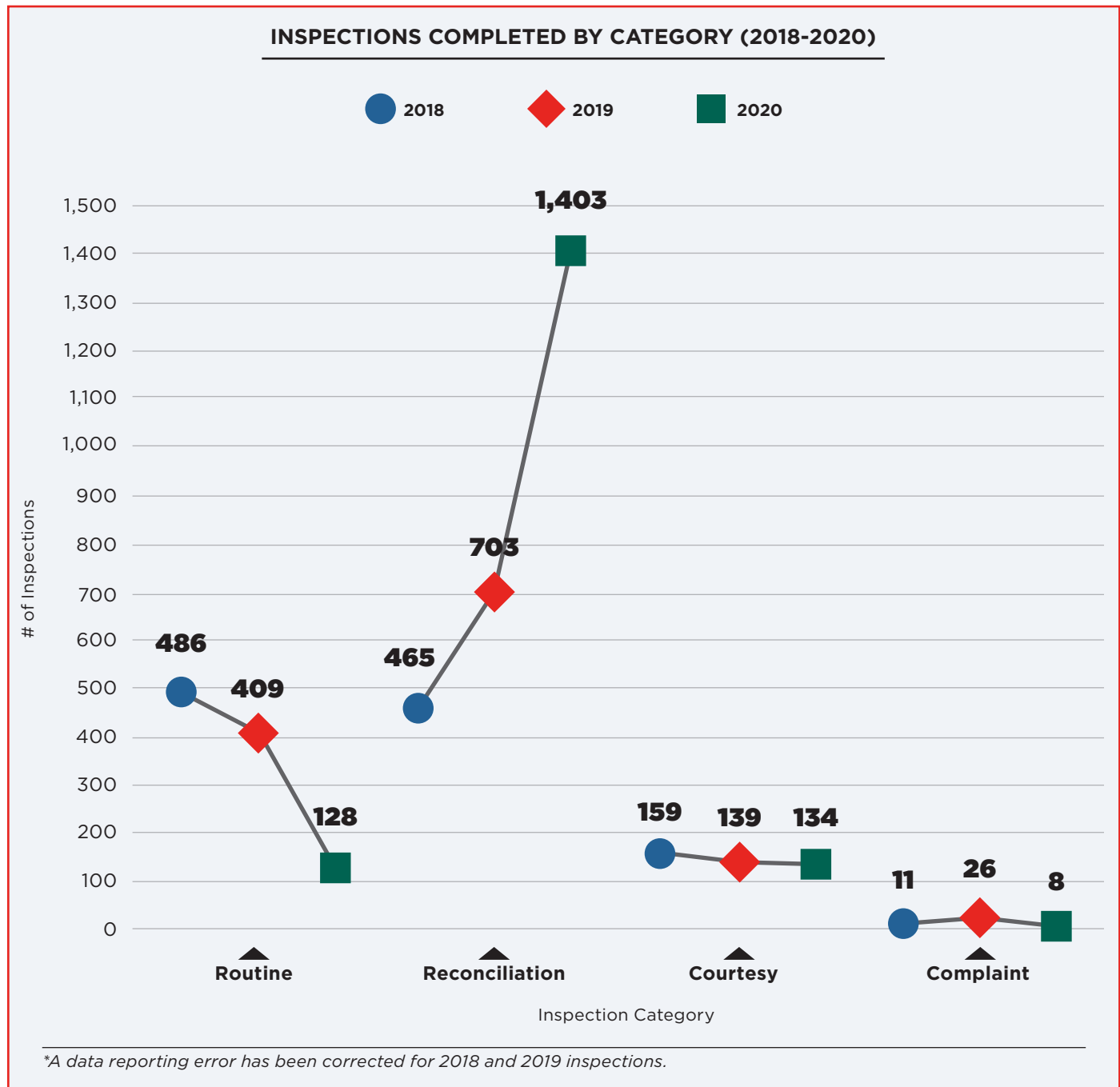
they are required to complete, and by April 2020, this included all registered brokerages, based on their last date of inspection.

In 2020, 1,673 brokerage inspections were conducted.

Additionally, as part of RECO's quality assurance program, surveys, geared towards satisfaction with onsite inspections, are issued to seek Broker of Record feedback on the program. In 2020, due to the suspension of all on-site inspections, the survey results reflect data collected from Q1 only.

Broker responses showed that:

- **89 per cent were very satisfied** with RECO inspectors' professionalism;
- **96 per cent were very satisfied** with RECO inspectors' knowledge;
- **85 per cent were very satisfied** with notice given by RECO inspectors; and,
- **83 per cent were very satisfied** with the overall RECO inspections process.



Investigations

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

A listing of all convictions for 2020 can be found on the Recent Enforcement Decisions page of RECO's website www.reco.on.ca.

The table below includes only investigations that have been escalated. Increasingly, investigations are being completed within the complaints and registration departments, with only more serious matters being escalated for additional investigation. This is due to development of staff expertise within those departments and support provided by the investigation team.

INVESTIGATIONS OPENED & CLOSED (2018-2020)

	2018	2019	2020
Opened	195	121	122
Closed	184	136	108

In 2020, due to the COVID-19 pandemic and restrictions, investigations were conducted, and hearings were attended virtually via Zoom, WebEx, and Microsoft Teams. Additionally, in 2020, investigations led to seven prosecutions in the Provincial Offense Court. These seven prosecutions involved 38 different charges for violations of REBBA 2002 and resulted in 22 convictions. The penalties for these convictions included fines totaling \$123,400 and 48 months of probation. The court also ordered \$58,238 in restitution.

Registrar's Proposals

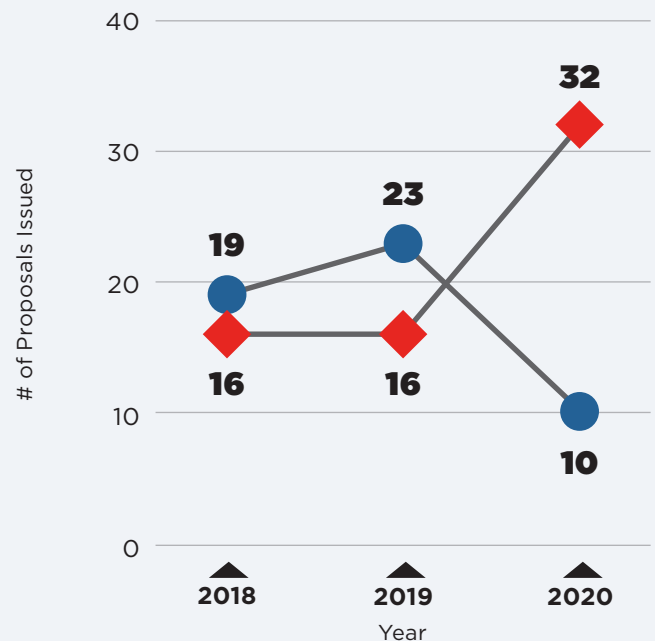
The Registrar's authority to propose to refuse, revoke or suspend a registration is a critical component of RECO's enforcement activities. A revocation is the most severe action RECO takes and is reserved for the most serious of circumstances.

The Registrar has the authority to issue a proposal in situations where the 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 (2018-2020)

- # 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 Procedures Act* of Ontario. Complaints involving alleged breaches of the Code of Ethics may be referred to the Discipline Committee for a hearing. A discipline procedure is initiated when an allegation statement is issued; a procedure is closed when a decision is released, and any imposed discipline has been satisfied.

DISCIPLINE PROCEDURES INITIATED AND CONCLUDED (2018-2020)			
	2018	2019	2020
Initiated	126	87	132
Concluded	62	99	77

NOTE: Discipline data has been recast to reflect penalty decision release dates, whereby penalty decisions can be issued year(s) after a discipline decision is released. Data has been updated to reflect with most current and accurate results.

In 2020, 132 cases were sent to RECO’s Discipline Committee and the committee issued a total of \$529,000 in fines.

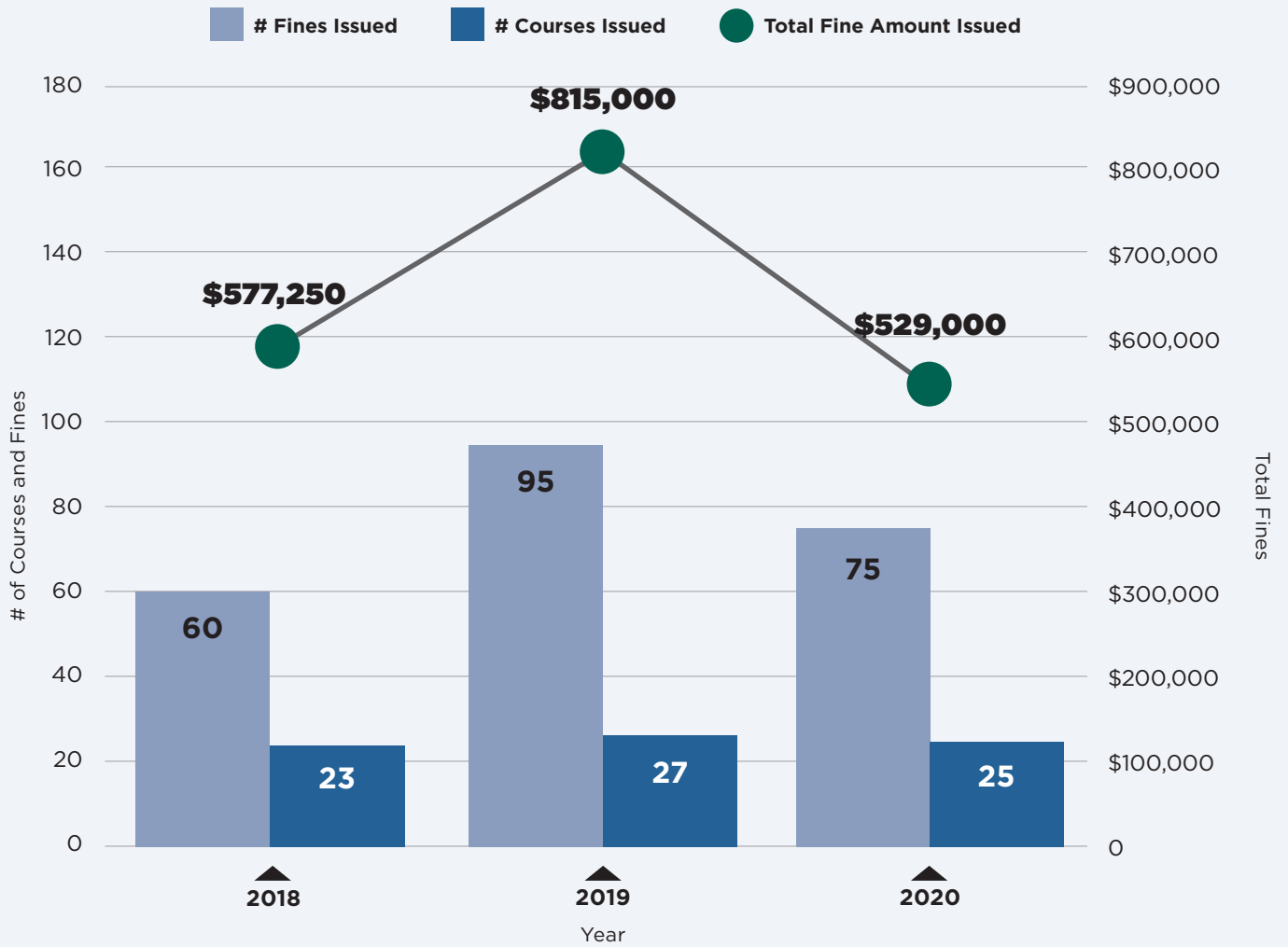
Due to the COVID-19 pandemic, Ontario issued an Emergency Order and the *Temporary Measures Act 2020*, which applied to the operation of all administrative tribunals in the province. Tribunals were permitted to postpone all matters and only deal with cases that they were equipped to handle safely, therefore all RECO’s upcoming Discipline Hearings were postponed in March 2020.

In November 2020, RECO conducted its first virtual hearing, which included a three-person panel, witnesses, and exhibits and is now in the process of systematically re-scheduling all the postponed hearings, as well as scheduling hearings for new cases.

Consumers can learn more about a specific case by checking out the Recent Enforcement Decisions page on the RECO website.



PENALTIES ISSUED AT DISCIPLINE (2018-2020)



NOTE: Discipline data has been recast to reflect penalty decision release dates, whereby penalty decisions can be issued year(s) after a discipline decision is released. Data has been updated to reflect with most current and accurate results.

NOTE: Penalties issued at Discipline may not align with the financial statements between 2018 and 2020. This is primarily due to process enhancements implemented in 2019 related to the compilation and collection of disciplinary fines.

Client Services

Insurance

RECO administers insurance requirements, which includes consumer deposit protection.

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

- Consumer Deposit insurance
- Commission Protection coverage
- Errors and Omissions coverage

Key Errors and Omissions Coverage Statistical Highlights:

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

Since September 1, 2000:

- A total of 18,201 claims have been reported — of which 1,614 remain open.
- The program has managed and closed a total of 16,587 claims on behalf of registrants to date.
- Residential claims outnumber commercial claims by a margin of 5:1 (including vacant land and agricultural as commercial, otherwise the ratio is closer to 7:1).
- Urban-located claims outnumber rural-located claims by a ratio of 7:1.

In 2020:

- The number of claims involving transactions that exceed \$250,000 in value comprise approximately 66% of all claims reported, which is the 1% higher than last year's report.
- There were 960 claims reported in the 12 months ended December 31, 2020, compared with 1,159 claims reported during the same 12-month period one year earlier.

French Language Services

RECO provides French language services to registrants and consumers.

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

In 2020, RECO received and responded to 19 calls and one complaint in French.

RECO is very pleased to have launched a French language website in 2018. This step represented a significant advance in RECO's ability to offer services in French. The French language website provides key consumer information, and RECO plans to enhance it over time to be comparatively comprehensive to the English website. Plans are already in place to ensure that it remains consistent with parallel sections of the English website as the latter is updated.

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

Consumer Survey

- At minimum, RECO conducts customer surveys every other year. In December 2020, an online customer survey was completed with 1,207 Ontario residents aged 18 and older.
- The purpose of this survey was to identify if Ontario residents are aware that real estate professionals are regulated by RECO, to determine the perception of fairness in the market and trust in real estate professionals, and to determine the level of understanding consumers have with respect to real estate.

Results:

- Regulatory awareness: 6% of respondents think the Ontario real estate industry is unregulated and an additional 21% don't know if it is. Positively, 74% believe the industry has oversight, but 57% incorrectly identify how that is applied.
- Satisfaction: 90% of respondents noted a satisfactory interaction with RECO, although only 22 respondents indicated they had interacted with RECO directly.

RECO's Service Standards Report Card (2020 Year End)



2020 YEAR END SCORES

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

SERVICE	TARGET	2020 OVERALL	STATUS 2020 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.	3 min.	✓	3 min.	N/A	N/A	N/A
Office not open to public during pandemic.							
 Contacting RECO by phone The wait time when calling RECO's main switchboard is less than two minutes.	2 min.	1:27 min.	✓	1 min.	33 sec.	2:15 min.	1:44 min.
 Registration application processing* New Salesperson Applications: - Processed within 10 business days Salesperson/Broker Renewal Applications: - Processed within eight business days Reinstatement Applications for Brokers and Salespersons: - Processed within 10 business days New Business Applications: - Processed within 15 business days	> 80%	92%	✓	90%	90%	94%	92%
	> 80%	94%	✓	95%	100%	89%	92%
	> 80%	97%	✓	97%	98%	98%	95%
	> 80%	94%	✓	100%	100%	87%	97%
*Please note these standards are for non-complex applications and assume all required supporting documentation was provided with the application.							
 Complaints—average time to close Complaints that are not escalated are closed on average within the target time.	120 days	80 days	✓	94 days	73 days	72 days	79 days
 Complaints—average age of open files The average age of complaints that are open will remain below the target time.	80 days	44 days	✓	50 days	41 days	34 days	47 days



meeting/exceeding target



missing target by ≤15%



missing target by >15%



REPORT ON OBJECTIVES

Strategic Goal #1: Deliver Innovative, Progressive Regulation

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

OBJECTIVES	2020 ACCOMPLISHMENTS
Establish Key Performance Indicators (KPI) target for key areas of service in complaints inspection and registration programs.	- Complaints: Established a KPI for Quality Assurance Scoring in the category of Fairness of Process (to be improved by 3% annually). Service standard targets for average time for complaint processing will improve from 120 days to 110 days. - Registration: Improved service standard targets for application processing for new, renewal and reinstatement applications for personal registrations. New and reinstatement applications from 10 to eight days and renewals from eight to seven days. - Inspections: Established a KPI for brokerage inspections requiring follow-up or escalation (3.19 % in 2020). Mining data for future Broker Compliance KPI.
Develop an internal IT data strategy and associated policies.	- Data workshop with management team was held in September 2020. High-level roadmap has been developed; project plan details currently being developed for this multi-year initiative. - Related policy work deferred to 2021.

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.

OBJECTIVES	2020 ACCOMPLISHMENTS
Modernize the Discipline process to implement current leading practice, including revised rules of practice and deployment of technology to allow easier access to process for registrants and others.	- Rules of Practice have been reviewed and recommended changes to the Discipline & Appeals Committee. - Decision to defer until TRESA is finalized as portions of the Rules of Practice would change as a result. - Both pre-hearings and hearings have moved to online format as of Q4 2020.

Develop long-term solution for Mandatory Continuing Education, inclusive of program delivery platform.	- Reviewed MCE program structure and system with a focus on improving currency of course content by introducing annual Update Courses and options for micro-learning electives. - Initiated project to update existing MCE LMS software in preparation for the introduction of a new structure and system — completion Q2 2021.
Establish enhanced processes supporting digital processing across the organization.	- Project to move identified applications (new and reinstatement) and payments online from existing paper processes. - Initiative was on hold while AODA requirements were implemented in 2020. Set for Q1 2021 implementation. - Education launched its new EEA process with an online application and soon to include online payment. - During the Pandemic investigators have been conducting investigations virtually using various formats such as Microsoft Teams. - Remote inspection format covering content similar to the in-person inspections began piloting in 2020. - The complaint process is now completely paperless. - Insurance renewal was issued electronically for the 2020 renewal period.
Continue to improve, enhance and add new functionality to RECO's IT systems, including registration database and self-serve portal.	Enhancements to RECOServe and MyWeb continue through quarterly updates based on business requirements, risk assessments and ROI.

GOAL 1.4: 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.

OBJECTIVES	2020 ACCOMPLISHMENTS
Support REBBA reform by providing strategic advice to the government on potential or proposed changes to REBBA to allow RECO to better fulfil its regulatory role.	RECO has proposed changes and supported government with changes to REBBA. A number of RECO recommendations have been adopted.

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

OBJECTIVES	2020 ACCOMPLISHMENTS
Support development of registrant competency profile.	- Initial drafts for salesperson and management profiles circulated for Real Estate Research Corporation review. - Next step will be pan-Canadian practitioner review targeted for Q1 2021.

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

OBJECTIVES	2020 ACCOMPLISHMENTS
Launch all aspects of the Registration Education project.	- All components of Pre-Registration Program launched in 2020. - Post-Registration Program launched in Q4 2020, with 2 additional electives to be launched in 2021. - Broker Program launch deferred to Q1 2021.

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

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

OBJECTIVES	2020 ACCOMPLISHMENTS
Consumer Campaign — Year 2: RECO will focus on the content development, concept testing and further refinement of the consumer guide.	Consumer guide and Registrant toolkit have been combined to form the Registrants Leading the Way project, which is an online consumer tool design to be promoted by the registrant community. Continued to YE2021 delivery — focus on development of digital tool.
Registrant Town Hall Tour/Webinar to address key issues facing the sector, such as REBBA reform.	TRESA Phase 1 was completed in 2020 but did not require extensive outreach. Expected deferral to 2021 due to timing of consultations re: TRESA Phase 2.

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

OBJECTIVES	2020 ACCOMPLISHMENTS
Enhance external website to optimize user interface with RECO.	Not yet initiated. Priority for 2020 was AODA compliance. Business requirements and website content will be reviewed in 2021 to determine future strategic direction for the website.

Strategic Goal #3: Create a Resilient Organization

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

OBJECTIVES	2020 ACCOMPLISHMENTS
Define and launch updated corporate values.	Facilitated values workshop was held with management and a shortlist of values were identified for further review with the broader RECO team in 2021.

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

OBJECTIVES	2020 ACCOMPLISHMENTS
Develop strategy for future office space for both medium and long term planning.	- Preliminary discussions and estimates of space requirements took place in 2020 with the broader management team. Ongoing remote working could provide opportunities and creative solutions for RECO's facilities strategy. - RFP was issued and shortlisted Brokerages were identified in 2020, with final presentations scheduled for Q1 2021.

- Assess IT system security, performance and up time for adherence to security industry standards and performance and up time to meet established standard.
- Continue to implement recommendations from security review, including: new system monitoring software, decommissioned legacy servers, created patch management policy and patch schedule.
- Decision to move all Microsoft platforms to the Cloud in 2021 and 2022.
- Up time is 99.7% YTD, currently slightly below target of 99.90%.

GOAL 3.5: Design and implement a consistent organizational planning cycle, integrating strategic planning, business planning, budget planning and ER&IM.

OBJECTIVES

2020 ACCOMPLISHMENTS

- Develop and execute strategy for accounting systems to improve controls and current capabilities.
- Preliminary review of finance system suggests that existing system may support all needs with an upgrade.
- Internal Audit scheduled for Q2 2021 will help guide any control deficiencies to be addressed.

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

OBJECTIVES

2020 ACCOMPLISHMENTS

- Review and revise procurement and contract management processes for alignment with leading practices.
- Procurement Policy in draft.
- Contract management site has been created and collection of departmental contracts is underway.
- Enhance RECO's systems to ensure industry security standards best practices are in place.
- Action plan from security review continues to be implemented with highest priorities addressed first.
- Due to competing priorities full completion is delayed to Q1 2021.
- Cyber Security Internal Audit will be completed in Q1 2021 to identify any additional areas to enhance.



FINANCIALS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Management's Discussion and Analysis (MD&A) below provides a review of the financial condition and the results of operations for the Real Estate Council of Ontario (RECO) for the fiscal year ended December 31, 2020. This MD&A should be read in conjunction with the audited financial statements which follow. Management provides explanations for the results from operations and insurance. The MD&A also provides analysis of the operating performance of the organization now and its outlook for the future. Forward-looking statements reflect management's expectations regarding RECO's objectives, plan, goals, performance and opportunities. These statements are based on management's reasonable assumptions and beliefs in light of the information currently available to them. Where these assumptions fall short of future reality, objectives may be less than fully achieved.

General Operations

Overview of the Organization

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

RECO carries out its activities through a corporate governance structure. Under the terms of the

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

RECO's strategy consistently focuses on the principles of investing in the professionalism of the industry and the reduction of burden on the business of real estate. RECO's 2020 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; and,
- Create a resilient organization.

Adapting to the COVID-19 Pandemic

During the COVID-19 pandemic, RECO has demonstrated its ability to adapt to a rapidly changing environment while continuing to effectively regulate the real estate marketplace. Under direction and guidance of the Ontario health authorities, and with real estate services being defined as essential right from the start of the initial lockdown, RECO transitioned almost all of its operations into a remote workforce in a matter of weeks. The RECO offices have been closed to the public since then as well, with minimal staff maintaining the office location as necessary. Additionally, within months of the initial lockdown, RECO implemented virtual disciplinary pre-hearings, which had an added benefit of cost savings for participants who would have incurred travel and accommodation expenses to attend in-person. The frequency of pre-hearings returned to pre-pandemic levels and hearings resumed online by the end of year.

In addition, RECO's Board transitioned to attending meetings of the Board and its Committees via a virtual platform, and held RECO's first virtual Annual General Meeting, which resulted in a tenfold increase in participants.

The pandemic accelerated efforts that were underway before the pandemic to enable work from home and a move to more online, paperless processes.

Every RECO department has had to adapt to this new reality, and each has been able to do so successfully. In 2020, changes that were implemented due to the pandemic reduced RECO's expenses in excess of \$1 million. Some of these savings are temporary, but a significant portion represents efficiency improvements that will continue permanently, such as print and paper costs, mailing costs, as well as travel and meeting costs. An example of this was the shift to a paperless insurance renewal process, which realized permanent savings in the order of \$100k in 2020.

In addition, during the early phase of the pandemic, RECO provided registrants with options to reduce their financial burden during a time of significant uncertainty. This included deferral of renewal fees, waived reinstatement fees for registrants who chose to leave the profession temporarily, and lowered insurance administration fees.

Consumer Protection Excellence

CONSUMER KNOWLEDGE

Consumers are better protected when they are better informed. During 2020, RECO continued work on a resource that will provide consumers with information and tools that address the most common concerns and challenges they face during the process. Registrants will play a pivotal role in sharing the resource with their clients. When buyers and sellers come into the transaction with a baseline level of knowledge, registrants can focus on what they do best: providing expert guidance through every step of the process. As a result, this resource will strengthen the role of registrants as trusted professionals and leaders.

In response to the pandemic and leading research, RECO has shifted to an online-first approach for the resource.

REGISTRANT KNOWLEDGE

Consumer protection is further enhanced when real estate salespeople and brokers are equipped with the skills and knowledge to serve their clients well. In 2019, RECO partnered with Humber College and NIIT Canada to launch the Real Estate Salesperson Program, a new approach to registration education designed to ensure that registrants are more practice ready on day one. The first graduates of this program registered with RECO in 2020. The post-registration phase of the Real Estate Salesperson Program launched in 2020, and the new Real Estate Broker Program will launch in early 2021.

The new program is the result of a thorough review of registration education, which included extensive research and consultation with the profession, education providers and regulatory bodies, and which culminated in the distribution of a white paper on RECO's vision for registration education.

With changes in the marketplace, technology, and consumer preferences, RECO's commitment to keeping registrant knowledge up-to-date through ongoing education is also important. RECO continues to further enhance the Mandatory Continuing Education (MCE) program. During 2020, RECO added two new elective options, bringing the total number of elective courses to 17. The MCE program was also recognized with two learning industry awards of excellence for the *Mortgage Financing: Guiding Client Conversations* and *FINTRAC Compliance* electives.

In addition, RECO educates brokers and salespeople with Registrar's Bulletins, newsletter articles, and through in-person and online presentations. In 2020, RECO also made select MCE electives available to Brokerage non-registrant staff, as a tool that brokerages can use to enhance compliance.

COMPLAINT PROCESS

Consumer protection requires an effective framework for dealing with non-compliant behaviour. In 2020, RECO exceeded service standards in all categories for complaint processing timelines. In addition, an internal audit was conducted in order to identify areas for improvement. In 2021, RECO will implement the recommendations from the audit and deploy a new online complaint and response form that will simplify the information gathering process.

Organizational Excellence

HUMAN RESOURCES

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

In 2020, RECO was able to continue these efforts, in spite of major challenges. The pivot to a home-based workforce was a major effort that ensured RECO could continue to deliver on its mandate. In addition, RECO was able to continue with recruitment, onboarding and professional development using online technologies.

Throughout the pandemic, RECO stayed connected with staff to help support their mental wellbeing, using online resources and virtual engagement activities.

In addition, RECO introduced mandatory diversity training for all employees in 2020. The training ensures

that all staff have an understanding of systemic racism and discrimination.

TECHNICAL RESOURCES

In 2020, RECO continued to improve its registrant database and self-serve portal (MyWeb), by adding a centralized messaging feature and improving system performance.

To be effective and efficient, an organization needs a robust technological infrastructure. In 2020, RECO started to move some critical systems to the cloud, which provides better security, stability and scalability. To further improve security, RECO introduced multi-factor authentication in early 2020 to provide an additional layer of protection from targeted cyber-attacks.

Engagement Excellence

REGISTRANT ENGAGEMENT

An effective regulator reaches out to all stakeholders, staying attuned to emerging trends and issues in the industry, and monitors new approaches to regulation. All stakeholders have an interest in enhancing consumer protection and the level of professionalism in the industry.

In-person engagement with members has not been possible since March 2020, due to the pandemic. However, RECO continues to interact virtually by attending online meetings hosted by local boards, and hosting e-meetings with Executive Officers to discuss new trends, concerns and to learn about emerging issues around the province. Engagement among members continues to be a priority and RECO is working towards strengthening its ability to reach registrants virtually.

OTHER STAKEHOLDERS

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

In 2020, the *Trust in Real Estate Services Act, 2020* (TRESA 2020) received Royal Assent, which amended the *Real Estate and Business Brokers Act, 2002* (REBBA), including broader regulation making authority. In particular, the government implemented changes that introduced personal real estate corporations, expanded the terms that brokers and salespersons may use to describe themselves in advertising and simplified references to commissions and other remuneration. Other legislative amendments to REBBA will not come into force until the necessary regulations have been developed.

OTHER PARTIES

RECO continues to connect with other Delegated Administrative Authorities to share benchmarks and best practices. RECO also maintained frequent contact

with other regulatory bodies in Canada, through channels such as the Real Estate Regulators of Canada.

Governance Excellence

STRATEGIC AND BUSINESS PLANNING

Good governance practices are characterized by clear strategies, disciplined operations, self-evaluation, risk management, and transparency and accountability.

Following the introduction of a new five-year Strategic Plan in 2018, RECO implemented a planning cycle that includes strategic planning, business planning, budget planning and enterprise risk considerations. In 2020, the Board met to review the Strategic Plan as part of its governance responsibilities, and concluded that the three Strategic Goals remain relevant and purposeful in the pandemic era. The Board also reviewed RECO's Vision and Mission, and strengthened the Mission from:

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

To:

"**Promoting** 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."

ENTERPRISE RISK AND INNOVATION MANAGEMENT (ER&IM)

The Enterprise Risk & Innovation Management (ER&IM) program is a continuous, proactive and dynamic process designed to identify, assess, communicate and manage potential risks and assess new opportunities that may impact RECO as the organization works towards achieving its strategic objectives. The program is based on ISO 31000 risk framework. In 2020, the program helped RECO identify and respond to operational risks resulting from the onset of the pandemic, and to identify and monitor ongoing medium to long term risks and opportunities to the organization. The strategic risk heat map is reviewed at every Board and Committee meeting, and fed into the review of the Strategic Plan in 2020.

TRANSPARENCY AND ACCOUNTABILITY

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

Financial Results

Comparative Income Statement

	2020	2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Total revenues	27,591	27,248	343
Total expenses	22,646	25,270	(2,624)
Excess of revenues over expenses, before investment income	4,945	1,978	2,967
Investment income	547	536	11
Excess of revenues over expenses	5,492	2,514	2,978

There was an excess of revenues over expenses of \$5.5M in 2020, compared to \$2.5M in 2019.

Comparative Revenues

	2020	2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Registration fees	18,408	17,581	827
Other registrant fees	2,686	3,479	(793)
Education	5,881	4,733	1,148
Other income	616	1,455	(839)
Total revenues	27,591	27,248	343

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

Other registrant fees were lower as RECO waived application review fees on reinstatement applications for a portion of the year in response to the pandemic.

Education revenues include Registration Education revenue from programs delivered by OREA and Humber College, as well as Mandatory Continuing Education (MCE) programs delivered by RECO. While OREA revenues were down year-over-year, enrolment levels remained strong as students enrolling before April 30, 2019 are able to continue to progress through the program until OREA's education program ceases operations in 2021. Revenues from the new Real Estate Salesperson Program delivered by Humber College were up considerably, as 2020 was the first full year of the program. MCE revenues were higher due to the continued growth in the number of registrants noted above.

Other income was comprised of disciplinary fines, other fees and assessments. The decrease was attributable to two factors. First, a temporary decrease in disciplinary activity in the early stage of the pandemic. The frequency of pre-hearings returned to pre-pandemic levels and hearings resumed online by the end of the year. Second, lower revenue was recognized from fines in 2020, reflecting an analysis on fine collectability that was completed in the prior year.

Comparative Operating Expenses

	2020	2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Salaries and benefits	13,646	14,629	(983)
Departmental and other	6,140	7,435	(1,295)
Office, occupancy and general	1,422	1,551	(129)
Amortization	1,015	1,151	(136)
Governance	423	504	(81)
Total operating expenses	22,646	25,270	(2,624)

As a service organization, salaries and benefits were RECO's largest expense in 2020, representing 60% of total operating costs.

Overall, salaries and benefits have decreased due to the following:

- Near completion of the new Real Estate Salesperson Program;
- Redeployment of staff and reassignment of work across the organization in response to the pandemic;
- Lower Workplace Safety Insurance Board (WSIB) rates assessed.

The decreases above were partially offset by an increase in IT spending to support enhancements to the registrant database and self-serve portal (MyWeb).

Lower departmental and other costs were lower due to deferrals of certain activities, as well as temporary changes resulting from the pandemic, such as:

- In-person staff training deferred or pivoted to online alternatives;
- Reduced travel, meeting and event costs;
- Lower than expected spend on consumer outreach campaigns;
- Lower administrative costs with the move to online, paperless processes.

Office, occupancy and general expenses were lower year-over-year as office related costs were lower with staff working remotely.

Amortization expenses were lower in 2020 as certain assets purchased in years prior are now fully depreciated.

Governance-related expenses were lower as meetings were held remotely in response to the pandemic.

Comparative Investment Income

	2020	2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Investment income	547	536	11

Investment income was in line with the previous year. Although there was an increase in investment income due to higher investment account balances, this was offset by lower interest rates.

Capital Expenditures

	2020	2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Computer hardware	222	202	20
Computer software	3	10	(7)
Leasehold improvements and capital leases	-	9	(9)
Total capital expenditures	225	221	4

Overall capital expenditures were in line with the prior year.

Fund Balances

	December 31, 2020	December 31, 2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Capital and intangible	2,852	3,628	(776)
Unrestricted	13,204	6,936	6,268
Restricted	8,000	8,000	-
Total fund balances	24,056	18,564	5,492

Fund balances are comprised of capital and intangible assets, unrestricted and restricted funds. Funds not required immediately for operations are invested in guaranteed investment certificates.

Financial Outlook for 2021

	Budget 2021	Actuals 2020	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Registration fees	18,812	18,408	404
Other registrant fees	2,759	2,686	73
Education	4,153	5,881	(1,728)
Other income	848	616	232
Total revenues	26,572	27,591	(1,019)
Operating expenses:			
Salaries and benefits	14,110	13,646	464
Departmental and other	7,498	6,140	1,358
Office, occupancy and general	1,444	1,422	22
Amortization	964	1,015	(51)
Governance	573	423	150
Total expenses	24,589	22,646	1,943
Excess of revenues over expenses, before Investment Income	1,983	4,945	(2,962)
Investment Income	544	547	(3)
Excess of revenues over expenses	2,527	5,492	(2,965)

Revenues are expected to decrease \$1.0M, or 3.7%. This is mostly attributable to the continued transition to a new revenue model with delivery of the registration education program moving from OREA to Humber. This is partially offset with an increase to Registration and Other registrant fees as RECO expects a moderate increase in the number of registrants. Other income is also expected to be higher due to a return to previous levels of disciplinary activities.

Expenses are expected to increase by \$1.9M, or 8.6%.

Investment income is expected to remain in line with 2020.

The additional expenses are attributable to initiatives expected to yield meaningful advances on RECO's strategic goals:

To deliver innovative and progressive regulation, RECO will continue to work with all stakeholders on TRESA in order to modernize the foundational legislation for Ontario's real estate sector. RECO will also continue investing in data gathering and analysis, launch the final phase of the registration education program, work to integrate risk-based analysis into all initiatives, enhance the communication of professional standards, and support the development of a national competency profile for a real estate salesperson.

To **support an informed real estate marketplace**, RECO will strengthen consumer and stakeholder outreach efforts, with a focus on working with the industry to educate buyers and sellers on their rights and responsibilities. RECO will also actively monitor the market in order to adapt to changing conditions, and keep registrants informed.

To **create a resilient organization**, RECO will make enhancements to IT infrastructure to support scalability and security, and enhance service delivery through automation of existing processes. More self-serve options will be available to registrants including the ability to submit most applications and make all payments online. RECO will also continue to invest in staff training and development.

Insurance Program

Financial Results

OVERVIEW

The Insurance Program provides three types of protection:

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

Insurance Program revenues represent the contributions to the program stability fund, and the contributions to 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.

Excess of Revenues Over Expenses by Fund

	2020	2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Insurance Premium Fund	-	-	-
Program Stability Fund	1,478	2,082	(604)
Insurance Administration Fund	340	586	(246)
Excess of revenues over expenses	1,818	2,668	(850)

There was an excess of revenues over expenses of \$1.8M in 2020, compared to \$2.7M in 2019.

Program Stability Fund

The fund is intended to protect registrants against future significant increases in insurance premiums, or for other events that may impact registrants such as

changes in program coverage. The Board approved a lower allocation to the Stability fund for the 2020 collection to partially offset the increase in the insurance premium. This resulted in the excess of revenues over expenses being lower by \$604k. No expenses are charged to this fund.

Insurance Administration Fund

The fund is intended to cover the ongoing expenses related to the administration of the program. The Board approved a lower allocation to the Administration fund for the 2020 collection to partially offset the increase in the insurance premium. Expenses were also lower with the continued transition to electronic-only insurance mailings and the negotiation of lower credit card fees.

Insurance Program Fund Balances

	December 31, 2020	December 31, 2019	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Insurance Premium Fund	54	54	-
Program Stability Fund	25,603	24,125	1,478
Insurance Administration Fund	2,411	2,070	341
Total insurance program Fund Balances	28,068	26,249	1,819

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

Financial Outlook for 2021

	Budget 2021	Actuals 2020	Increase (Decrease)
	\$'000s	\$'000s	\$'000s
Insurance Premium Fund	-	-	-
Program Stability Fund	1,403	1,478	(75)
Insurance Administration Fund	(357)	340	(697)
Excess of revenues over expenses	1,046	1,818	(772)

The excess of revenues over expenses in the Insurance Premium Fund is expected to remain zero. The lower excess of revenues over expenses overall reflects the carry forward impact of lower insurance contributions in 2020, partially offset by an expected increase in insurance contributions in 2021. Actual insurance contribution rates will be approved by the Board in the spring of 2021 following the negotiation of insurance premiums.



INDEPENDENT AUDITORS' REPORT



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To the Board of Directors of
Real Estate Council of Ontario

Opinion

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

- the statement of financial position as at December 31, 2020
- 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, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **“Auditors’ Responsibilities for the Audit of the Financial Statements”** section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG Canada provides services to KPMG LLP.

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

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

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants,
Licensed Public Accountants

Vaughan, Canada
March 25, 2021

Real Estate Council of Ontario

Statement of Financial Position

December 31, 2020, with
comparative information for 2019

	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets:	\$	\$	\$	\$	\$	\$
Cash (note 2)	17,224,688	511,311	4,027,479	193,588	21,252,167	704,899
Short-term investments (note 2)	23,684,036	33,133,566	26,502,252	28,936,593	50,186,288	62,070,159
Accounts receivable (note 12(c))	1,827,173	1,361,875	47,495	157,112	1,874,668	1,518,987
Deposits and prepaid expenses	94,834	372,346	-	-	94,834	372,346
	42,830,731	35,379,098	30,577,226	29,287,293	73,407,957	64,666,391
Capital assets (note 3)	1,154,367	1,675,403	-	-	1,154,367	1,675,403
Intangible assets (note 4)	1,697,609	1,966,907	-	-	1,697,609	1,966,907
	45,682,707	39,021,408	30,577,226	29,287,293	76,259,933	68,308,701
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued liabilities (note 6)	1,510,242	1,304,847	148,159	18,173	1,658,401	1,323,020
Accrued insurance premiums (note 9)	-	-	1,390,554	1,092,846	1,390,554	1,092,846
Government fee payable (note 5)	204,217	165,000	-	-	204,217	165,000
Deferred lease inducement (note 6)	95,268	95,268	-	-	95,268	95,268
Deferred registration fees (note 7(a))	14,469,394	13,834,667	-	-	14,469,394	13,834,667
Deferred insurance fees (note 7(b))	-	-	970,085	1,926,090	970,085	1,926,090
	16,279,121	15,399,782	2,508,798	3,037,109	18,787,919	18,436,891
Deferred lease inducement (note 6)	23,817	119,085	-	-	23,817	119,085
Deferred registration fees (note 7(a))	5,323,633	4,938,572	-	-	5,323,633	4,938,572
	21,626,571	20,457,439	2,508,798	3,037,109	24,135,369	23,494,548
Net assets:						
Investment in capital assets and intangible assets	2,851,976	3,627,966	-	-	2,851,976	3,627,966
Restricted insurance program fund (Schedule)	-	-	28,068,428	26,250,184	28,068,428	26,250,184
Internally restricted operating reserve	8,000,000	8,000,000	-	-	8,000,000	8,000,000
Unrestricted	13,204,160	6,936,003	-	-	13,204,160	6,936,003
	24,056,136	18,563,969	28,068,428	26,250,184	52,124,564	44,814,153
Commitments and contingencies (notes 9 and 11)						
	45,682,707	39,021,408	30,577,226	29,287,293	76,259,933	68,308,701

See accompanying notes to financial statements.

Real Estate Council of Ontario

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2020	2019	2020	2019	2020	2019
Revenue:			(Schedule)			
	\$	\$	\$	\$	\$	\$
Registration and insurance fees (note 7)	18,408,063	17,581,420	2,450,392	3,187,648	20,858,455	20,769,068
Other registrant fees	2,685,600	3,478,840	-	-	2,685,600	3,478,840
Education (note 8)	5,881,275	4,732,701	-	-	5,881,275	4,732,701
Other income	616,105	1,455,006	172,164	117,658	788,269	1,572,664
	27,591,043	27,247,967	2,622,556	3,305,306	30,213,599	30,553,273
Expenses:						
Salaries and benefits	13,645,659	14,629,601	-	-	13,645,659	14,629,601
Departmental costs	5,987,807	7,281,034	-	-	5,987,807	7,281,034
Office, occupancy and general	1,422,305	1,550,965	-	-	1,422,305	1,550,965
Board remuneration and expense	150,296	268,709	-	-	150,296	268,709
Amortization (notes 3 and 4)	1,014,858	1,150,500	-	-	1,014,858	1,150,500
Government oversight fees (note 5)	237,924	198,707	-	-	237,924	198,707
Elections and annual general meeting	34,653	36,729	-	-	34,653	36,729
Bad debt	152,013	154,100	-	-	152,013	154,100
Insurance administration	-	-	1,212,531	1,295,398	1,212,531	1,295,398
	22,645,515	25,270,345	1,212,531	1,295,398	23,858,046	26,565,743
Excess of revenue over expenses before investment income	4,945,528	1,977,622	1,410,025	2,009,908	6,355,553	3,987,530
Investment income	546,639	536,313	408,219	658,389	954,858	1,194,702
Excess of revenue over expenses	5,492,167	2,513,935	1,818,244	2,668,297	7,310,411	5,182,232

See accompanying notes to financial statements.

Real Estate Council of Ontario

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	2020				2019	
	Investment in capital assets and intangible assets	Restricted insurance program fund	Internally restricted operating reserve	Unrestricted	Total	Total
	(Schedule)					
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	\$3,627,966	\$26,250,184	\$8,000,000	\$6,936,003	\$44,814,153	\$39,631,921
Excess of revenue over expenses	-	1,818,244	-	5,492,167	7,310,411	5,182,232
Purchase of capital and intangible assets	224,523	-	-	(224,523)	-	-
Amortization of capital and intangible assets	(1,014,858)	-	-	1,014,858	-	-
Principal repayments on capital lease	14,345	-	-	(14,345)	-	-
Balance, end of year	2,851,976	28,068,428	8,000,000	13,204,160	52,124,564	44,814,153

See accompanying notes to financial statements.

Real Estate Council of Ontario

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Cash flows from (used in) operating activities:						
Registration fees	\$19,427,851	\$18,139,250	-	-	\$19,427,851	\$18,139,250
Other registrant fees	2,690,600	3,441,540	-	-	2,690,600	3,441,540
Education receipts	5,304,814	4,829,867	-	-	5,304,814	4,829,867
Insurance premium fees receipts	-	-	37,932,227	34,504,539	37,932,227	34,504,539
Insurance program stability fees receipts	-	-	1,028,285	1,317,961	1,028,285	1,317,961
Insurance administration fees receipts	-	-	466,102	1,634,589	466,102	1,634,589
Other receipts	522,607	886,906	172,069	117,658	694,676	1,004,564
Insurance premiums paid	-	-	(37,634,519)	(34,565,377)	(37,634,519)	(34,565,377)
Cash paid to suppliers and employees	(21,042,443)	(24,861,409)	(1,082,450)	(1,308,055)	(22,124,893)	(26,169,464)
	6,903,429	2,436,154	881,714	1,701,315	7,785,143	4,137,469
Cash flows from (used in) investing activities:						
Interest received	599,287	523,115	517,836	632,930	1,117,123	1,156,045
Short-term investment purchase, net	9,449,530	(3,093,358)	2,434,341	(2,352,882)	11,883,871	(5,446,240)
Purchase of capital assets	(221,696)	(211,500)	-	-	(221,696)	(211,500)
Purchase of intangible assets	(2,828)	(9,206)	-	-	(2,828)	(9,206)
	9,824,293	(2,790,949)	2,952,177	(1,719,952)	12,776,470	(4,510,901)
Cash flows used in financing activities:						
Principal repayments on capital lease	(14,345)	(16,831)	-	-	(14,345)	(16,831)
Net increase (decrease) in cash	16,713,377	(371,626)	3,833,891	(18,637)	20,547,268	(390,263)
Cash, beginning of year	511,311	882,937	193,588	212,225	704,899	1,095,162
Cash, end of year	17,224,688	511,311	4,027,479	193,588	21,252,167	704,899

See accompanying notes to financial statements.

Notes to Financial Statements

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

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

Consumer deposit insurance, errors and omissions insurance and commission protection insurance are mandatory 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.

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 8.

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

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

(c) Financial instruments:

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

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

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

(d) Capital assets:

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

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

(e) Intangible assets:

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

Management information system:	10%
Computer software:	30%

(f) Impairment of capital and intangible assets:

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

There were no impairment charges recognized for capital and intangible assets in 2020 and 2019.

(g) Lease inducements:

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

(h) Use of estimates:

The preparation of RECO's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of certain receivables and accrued liabilities. Actual results could differ from those estimates.

2. Cash and short-term investments:

Cash consists of amounts held in BMO treasury accounts earning interest at BMO's deposit reference rate less 1.75% for balances up to and including \$50,000,000.

Short-term investments consist of guaranteed investment certificates ("GICs") with interest rates ranging from 0.3% to 2.0% (2019 - 1.3% to 2.5%) and maturities ranging from January 2021 to August 2021 (2019 - January 2020 to December 2020).

3. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	3,409,942	2,885,991	523,951	646,206
Office furniture and equipment	2,747,290	2,629,056	118,234	193,191
Leasehold improvements	3,096,984	2,584,802	512,182	821,881
Office equipment, subject to capital lease	77,046	77,046	-	14,125
	9,331,262	8,176,895	1,154,367	1,675,403

In the current year, amortization expense related to capital assets totaled \$742,732 (2019 - \$829,873).

4. Intangible assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Management information system	2,479,306	793,378	1,685,928	1,933,859
Computer software	1,486,128	1,474,447	11,681	33,048
	3,965,434	2,267,825	1,697,609	1,966,907

In the current year, amortization expense related to intangible assets totaled \$272,126 (2019 - \$320,627).

5. Administrative agreement:

An administrative agreement exists between RECO and the Ministry of Government and Consumer Services (the "Agreement"). Amounts payable under the Agreement are recognized in the year incurred. In the current year, \$237,924 (2019 - \$198,707) 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, 2020 to March 31, 2021:	\$272,289
April 1, 2021 to March 31, 2022:	\$345,871
April 1, 2022 to March 31, 2023:	\$419,453

6. Deferred lease inducement:

RECO received lease inducements to enter into a long-term lease for office premises. Inducements include the reimbursement by the lessor of certain expenditures for leasehold improvements by RECO and graduated rental increases. These inducements are amortized on a straight-line basis as a reduction of rental expense over the term of the lease. The liability of \$39,695 related to graduated rental increases is recorded in accounts payable and accrued liabilities (2019 - \$71,451). The liability related to the reimbursement of leasehold improvements is recorded as deferred lease inducement, as follows:

Balance, December 31, 2019:	\$214,353
Amortized to rental expense 2020:	\$95,268
Balance, December 31, 2020:	\$119,085
Amounts to be amortized in 2021:	\$95,268
Amounts to be amortized in 2022:	\$23,817
	\$119,085

7. Deferred revenue:

(a) Operations Fund:

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

Balance, December 31, 2019:	\$18,773,239
Registration fees received in 2020:	\$19,427,851
Less amounts recognized as revenue in 2020:	\$18,408,063
Balance, December 31, 2020:	\$19,793,027
Amounts to be recognized as revenue in 2021:	\$14,469,394
Amounts to be recognized as revenue in 2022:	\$5,323,633
	\$19,793,027

(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, 2019	854,776	1,071,314	1,926,090
Insurance payments received in 2020	1,028,285	466,102	1,494,387
Less amounts recognized as revenue in 2020	1,208,198	1,242,194	2,450,392
Balance, December 31, 2020 and amounts to be recognized as revenue in 2021	674,863	295,222	970,085

8. 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.

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.

9. Commitments:

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

2021:	\$734,261
2022:	\$183,565
	\$917,826

RECO is also committed to make insurance premium payments of \$1,390,554, which are collected from and remitted on behalf of registrants. These payments are due on August 31, 2021.

10. Funds held in trust:

RECO holds in trust consumer deposits transferred by brokers as dormant trust funds. As at December 31, 2020 these deposits amounted to \$5,596,876 (2019 - \$5,733,258). These amounts have not been included in the financial statements as RECO does not control or benefit from these funds.

11. Contingencies:

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

12. Financial instruments:

The main risks to which RECO's financial instruments are exposed are interest rate risk, market risk and credit risk. It is management's opinion that RECO is not exposed to significant liquidity risk, foreign exchange risk or cash flow risk. There has been no change to the risk exposure from 2019, except as noted in note 12(d).

(a) Interest rate risk:

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

(b) Market price risk:

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

(c) Credit risk:

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

RECO is exposed to credit risk on accounts receivable, which comprises amounts receivable from registration education programs and disciplinary fines. Credit risk from registration education programs is considered to be low, as receivables are recognized only if it is reasonably certain the monies will be received. Credit risk from disciplinary fines in aggregate are material, with most debtors owing individually immaterial amounts. RECO maintains an allowance for doubtful accounts of \$851,513 (2019 - \$699,500) for disciplinary fines receivable.

(d) General economic risk:

RECO's revenue is derived from fees from services related to administering the Act and is affected by general economic trends. During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have not caused material disruption to RECO. As of the date these financial statements were approved, management has not identified any events which will have a negative financial impact on RECO.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.

13. Comparative information:

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

Real Estate Council of Ontario

Schedule of Insurance Program Fund Balances

Year ended December 31, 2020, with comparative information for 2019

				Total	
	Insurance Premium Fund	Program Stability Fund	Insurance Administration Fund	2020	2019
	\$	\$	\$	\$	\$
Revenue:					
Insurance fees	-	1,208,198	1,242,194	2,450,392	3,187,648
Other income	-	-	172,164	172,164	117,658
	-	1,208,198	1,414,358	2,622,556	3,305,306
Insurance administration expenses	-	-	1,212,531	1,212,531	1,295,398
Excess of revenue over expenses before investment income	-	1,208,198	201,827	1,410,025	2,009,908
Investment income	-	269,425	138,794	408,219	658,389
Excess of revenue over expenses	-	1,477,623	340,621	1,818,244	2,668,297
Accumulated fund balances, beginning of year	54,369	24,125,414	2,070,401	26,250,184	23,581,887
Accumulated fund balances, end of year	54,369	25,603,037	2,411,022	28,068,428	26,250,184





GOVERNANCE

Board of Directors

The Real Estate Council of Ontario (RECO) is governed by a 12-member Board of Directors, including nine elected members registered under the *Real Estate and Business Brokers Act, 2002* (REBBA) and three members appointed by the Minister of Government and Consumer Services. RECO's Board of Directors is responsible for providing progressive and collective leadership to RECO. In 2019, the Board held 6 business meetings and 1 additional special event. Further information on Board policies can be found on RECO's website.

The day-to-day management of RECO is the responsibility of the CEO in accordance with the policies and budget established by the Board of Directors. The powers and duties imposed under REBBA 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, 2020, RECO had 149 full-time employees.

The following Board policies were approved in 2020:

- Policy on Total Compensation Philosophy
- Policy on Reimbursement of Expenses
- Policy on Board and Committee Remuneration
- Policy on External Audit
- Statement of Investment Policy
- Disposal of Technology for Directors
- Policy on Director Orientation and Development

There were no by-law amendments made in 2020.

Chair

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

Vice-Chair

STEVE BOXMA, Broker (Elected Director)
Royal LePage Team Realty, Brokerage
Manotick
End of Term: End of AGM 2023

Elected Directors

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

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

GLENDIA BRINDLE, Broker
Royal LePage Team Realty Brokerage
Ottawa
End of Term: May 2021

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

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

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

KATIE STEINFELD, Broker
On the Block Realty Inc., Brokerage
Woodbridge
End of Term: End of AGM 2023

Appointed Directors

JANET CLOUD
3Cs Corporation
End of Term: End of AGM 2023

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

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

Board Committees

Audit, Risk, Finance & Insurance Committee

5 Committee Meetings

The Committee assists the Board of Directors in meeting its fiduciary and governance responsibilities with respect to RECO's financial statements, external audit, budget, internal audit and processes related to enterprise risk & innovation management.

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

Governance, People and Culture Committee

4 Committee Meetings

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

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

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

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

Strategy and Organizational Performance Committee

3 Committee Meetings

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

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

Statutory Committees*

Discipline Committee

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

Appeals Committee

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

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

Other

Registrar's Education Advisory Committee

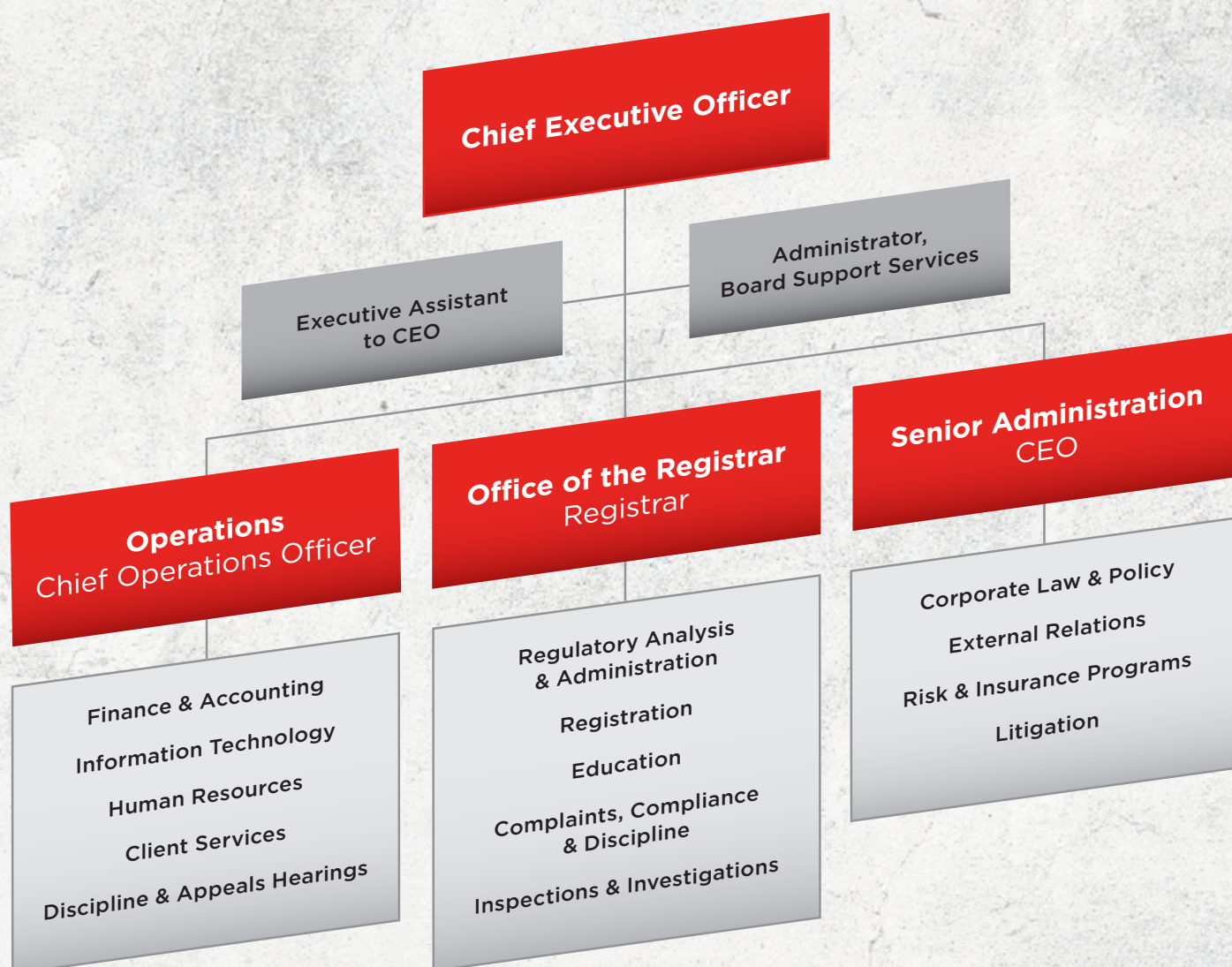
The Committee provides advice to the Registrar on education-related matters. The Committee may also make recommendations regarding potential changes to educational requirements or policies related to education providers and approved subject areas in both the registration education and continuing education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

Consumer & Industry Advisory Group

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

Management

Organizational Structure



Chief Executive Officer

MICHAEL BEARD

Chief Executive Officer

BRIAN BUCHAN

Director, External Relations (I)

GEORGE DRAMETU

Director, Litigation

RUTH GARRETT

Director, Risk & Insurance Programs

SIÂN WILLIAMS

Director, Corporate Law & Policy

ADAM HAWKINS

Manager, Communications

ELIZABETH BENSON

Administrator, Board Services

Regulatory Division

JOSEPH RICHER

Registrar

LISA KEY

Director, Education

GAIL McGUIRE

Manager, Registration Education

BRIAN PRENDERGAST

Manager, Inspections & Investigations

GLEN THOMAS

Manager, Complaints, Compliance & Discipline

ANGELA VOLPE

Manager, Registration

LISA WALL

Manager, Education

Operations Division

BRENDA BUCHANAN

Chief Operations Officer

TIM BATES

Director, Finance & Accounting

ADAM FREYSENG

Director, Client Services

SYLVIA MAUTI

Director, Human Resources

MIKE PRIME

Director, Information Technology

VASKO MARKOVSKI

Manager, Application Development

MARTIN McKENZIE

Manager, Accounting

RAQUEL SMITH

Manager, Discipline & Appeals Hearings

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