

# Annual Report 2020 - 2021





# TABLE OF CONTENTS

---

RECA Mandate & Mission	04
Message from RECA's Board of Directors Chair	05
Message from RECA's CEO	09
RECA Board of Directors	13
RECA Industry Councils	15
KPMG Reports	20
KPMG Governance Report	21
KPMG Operational Report	28
Governance Report	32
2020-2021 Committees	36
Office of the Registrar	38
Professional Conduct Review	39
Education Programs	41
Real Estate Assurance Fund	43
Financial Statements	45

# OUR MANDATE & MISSION

## REAL ESTATE COUNCIL OF ALBERTA OVERVIEW

Established in 1996, the Real Estate Council of Alberta (RECA) is the independent governing authority that sets, regulates, and enforces standards for real estate brokerage, mortgage brokerage, condominium management, and property management professionals under the *Real Estate Act* of Alberta.

---

### MANDATE

RECA's mandate is to protect consumers, to provide services to facilitate the business of licensees, and to protect against, investigate, detect, and suppress fraud as it relates to the business of licensees.

---

### MISSION

RECA creates consumer trust and confidence in the real estate industry by:

- setting and enforcing standards of conduct and professional development requirements for the industry to protect the consumer
  - providing services that enhance and improve the industry
  - promoting the integrity of the industry
  - protecting against, investigating, detecting and suppressing fraud as it relates to the industry
-



## Message from the Board Chair

Patricia McLeod, Q.C.

The 2020–2021 fiscal year at RECA was an incredibly busy and eventful one. In addition to a record-breaking year for licensee registrations and real estate transactions in Alberta, the modern governance model for RECA also came into effect within this past fiscal year, on December 1, 2020. On that date, a new Board of Directors and Industry Councils were empowered to govern RECA and to begin charting a path forward for the self-regulatory model in the real estate brokerage, mortgage brokerage, property management, and condominium management industries.

### **New CEO**

This past summer, after an extensive search, the Board hired Russ Morrow as RECA's CEO. Russ was selected for his stellar reputation in the financial services sector and his experience with a regulated industry both from the side of the regulator and the side of the regulated industry. Russ started with RECA on August 9, and his steady hand, hard work, and insight in his first few months in the role of CEO has been invaluable to the Board, the Industry Councils, and RECA Administration. The Board has directed that Russ continue to build relationships with members of each industry and the member associations as a key priority of his accountabilities.

### **Education Divestment**

A significant body of work for RECA this past year has been the extensive preparations for divesting RECA from the delivery of licensing education. The process of divesting course delivery to third-party course providers has taken countless hours of work by the Industry Councils and RECA Administration, with support from the Board as appropriate. To date, this process has included:

- consulting stakeholders on the framework for divestment and course provider credentials
- obtaining approval from the Minister of Service Alberta on the bylaws guiding the divestment process
- consulting with stakeholders on the competencies for each sector and licence class
- reviewing and approving the licensing competencies
- approving course providers for the newly regulated condominium manager licensees
- establishing the examination and credentials framework for applicants

The framework that has been established, along with the sector and licence class competencies, ensures potential course providers have everything required to become recognized with RECA and begin training future licensees. The number one feedback received by all sectors was the importance of raising the pre-licensing education standards to ensure qualified and highly professional individuals are joining the industry.

Thank you to all the stakeholders who participated in the consultations and shared their knowledge gained from experience in the industries. The stakeholder feedback, along with the hard work of the Industry Councils has allowed the Board to set the date for divestment of licensing education at June 1, 2022, six months before the divestment deadline set by the Minister of Service Alberta. After June 1, 2022, RECA will no longer enroll learners in its existing education programs.

### Welcoming Condominium Managers

Though condominium managers didn't officially become a licensed industry under RECA until December 1, 2021, much of the preparation for that date occurred in fiscal 2020-2021. Thank you to the Residential

Property Manager Industry Council, the Condominium Manager Implementation Advisory Committee, condominium manager associations, and RECA's staff for their hard work in making condominium manager licensing a reality.

The process for condominium managers to become a regulated industry under the *Real Estate Act* began when the Alberta Government made changes to the *Condominium Property Act* in 2014. It has been a long, challenging road, with many consultations and legislative delays, but the effective day of December 1, 2021 finally arrived, and the Alberta public can now trust that their condominium manager now operates in a regulated environment.

### Stakeholder Engagement

The Board wishes to sincerely thank Mr. Duane Monea, the interim administrator appointed by the Minister of Service Alberta, for his leadership and support of RECA during the period from October 2019 through to the appointment of the current Board and Industry Councils. Duane was the first person "on the ground" dealing with the repercussions of the dissolution of the former Council. He engaged extensively with all stakeholders during his tenure and was integral to a smooth transition to the new Board.

Meetings with member associations began in January 2021 and the Board approved a new Stakeholder Engagement Policy in March 2021. None of the achievements the Board and Industry Councils had this year would have been possible without stakeholder engagement.

The Board and Industry Councils held well-attended Online Engagement Sessions from March through May 2021, implemented Board and Industry Council email addresses, and invited stakeholders to provide direct feedback online. The Online Engagement

Sessions will be held annually, picking up again in the Spring of 2022. The Board receives all emails sent to its contact email address and I assure you that the responses are prepared and sent from the Board.

Within the past year, representatives of RECA's Board and Industry Councils have also met with each of the member associations representing RECA licensees. We are committed to continue meeting with and learning from all member associations from all sectors (whether large or small). Stakeholder engagement is something that RECA Administration and the Board takes seriously and will continue to make a priority.

### Bylaws and the KPMG Report

Under the amended *Real Estate Act* and its Regulations, the Board was mandated to complete certain activities within our first year. These activities included mandatory governance training, which the Board completed in February 2021, and the creation of bylaws, approved by the Minister in November 2021, outlining how:

- disputes on the Board will be handled
- elections for the Industry Councils will work
- the process for divestment of education will unfold

These activities, along with a comprehensive review and revisions to RECA's governance bylaws and the adoption of a number of new governance processes and policies guiding the roles and relationships of both the Board and Industry Councils were a key priority and focus of the RECA Board in 2021.

It is well documented that, in the years leading up to the proclamation of the amended *Real Estate Act* and the appointment of the current Board, there was significant dysfunction in RECA's then governance model. This dysfunction led to breakdowns in relationships between Council members, between Council and RECA Administration, and between RECA and some external stakeholders. As these challenges became insurmountable in 2018 and into the spring of 2019, the Government of Alberta obtained an independent governance review from KPMG, which contained various recommendation for the Minister of Service Alberta. The KPMG Governance Review Report provided different options and recommendations to the Minister to resolve those challenges, informing and resulting in the proclamation of an amended *Real Estate Act* on December 1, 2020.

It is important to emphasize the recommendations in the KPMG Report reflect the structure, accountabilities and challenges of a particular time and set of relationships, prior to the appointment of the new Board of Directors and Industry Councils. RECA's Board received a clear mandate in the amended *Real Estate Act*. The Board has also undertaken its own review, and voluntarily adopted over 90% of recommended governance practices contained in the KPMG Report (of those that had not already been addressed by the Government of Alberta), in order to augment and reinforce best practices in governance oversight of the regulator. You will find a complete outline of the status of all of the KPMG report recommendations elsewhere in this Annual Report.

## Financial Transparency

While working on the required tasks for the first year, the Board has also been working on regular functions required of RECA's Board of Directors. This includes considering the resources and budget needed for RECA to fulfill its mandate.

With the revenue from RECA's pre-licensing education programs, RECA was able to maintain its operations for the past eight years without increasing licence fees, despite increasing cost of operations due to inflation and seeing a more than 100% increase in the number of complaints received and related investigations managed over the same period.

However, with the divestment of pre-licensing course delivery, RECA will lose 47% (2020-2021) of its total revenue. This means that RECA will enter a new financial reality that the Board will consider closely and carefully. The Board will keep financial realities in mind during strategic planning in 2022 and will work closely with RECA's Administration when undertaking budget planning.

## Looking Ahead

I am very fortunate to lead a Board of deeply committed and very knowledgeable industry and public members. I am also so impressed with the elected and publicly appointed individuals on each of the four Industry Councils. All four Industry Councils have worked tirelessly to ensure that the education divestment process is well planned, to ensure that the rules and regulations affecting licensees are appropriate and fairly assessed, and to demonstrate their commitment to public protection as a guiding north star in every discussion.

All members of the Board and Industry Councils are steadfast in our mutual commitment to governance excellence, to respect for and collaboration with each other, and to a fair, trusted and thorough oversight of RECA Administration. I assure all licensees that the Board, Industry Councils, and RECA Administration are laser-focused on moving forward in a manner that licensees should expect and be proud of from its regulator. That said, it is also incumbent on licensees and member associations to give this organization the opportunity to demonstrate these new practices and to evaluate RECA on its conduct going forward. We look forward to opportunities to discuss challenges and issues in a positive and respectful manner.

Top priorities for RECA in its 2021-22 fiscal year are establishing RECA's next five year strategic objectives, the first year of condominium managers being licensed and regulated in Alberta, and the full divestment of licensing education to third-party course providers. It will be another very busy and interesting year. On behalf of myself, the Board, the Industry Councils, and RECA's staff, I thank you for your engagement and your support as we work hard collectively to ensure that the public has every confidence in the tremendous value of Alberta's real estate industry licensees.



## Message from the Chief Executive Officer

Russ Morrow

First off, I want to thank RECA's Administration for their leadership and for working together to ensure that RECA experienced minimal to no disruption in its important work over the past year. I want to follow that by thanking the Board of Directors, members of the Industry Councils, representatives from industry associations, and the licensees I've had the pleasure of meeting with and learning from. I also want to thank each and every RECA staff member for your willingness to meet with me to share your thoughts and experience on issues important to you—your hard work and perseverance through tough times are truly appreciated.

By the time I joined RECA, the 2020-2021 fiscal year was already 10 months in, but I was able to get up to speed quickly, in no small part to RECA's dedicated and passionate external and internal stakeholders.

Alberta's real estate industry is complex, but I'm no stranger to regulatory agencies and the unique challenges they face. I bring over a decade of experience as a senior executive in the credit union industry. And I served as an assistant vice president at the Credit Union Deposit Guarantee Corporation, the regulatory body for credit unions in Alberta.

I am enthusiastic about taking on this role because, as you know, the real estate industry is both exciting and essential.

In fact, in just the past year a lot has happened within the industry and at RECA itself. Over the 2020 to 2021 fiscal year, RECA has managed to continue its mandated work of protecting consumers while implementing required changes and looking towards the future. Changes

addressed this past year have included: adapting to RECA's new governance model, working towards the divestment of RECA education, implementing condominium manager licensing, increasing and diversifying new stakeholder engagement opportunities, and creating an enterprise risk management process. All the while, RECA has continued to investigate complaints, sanction offenders, process new and renewed licences, and keep stakeholders informed.

### New Governance Model

As you know, the amendments to the *Real Estate Act* in 2020 brought in significant changes to RECA's governance structure. Going from one Council to a Board of Directors and four Industry Councils has meant a significant increase in the governance support work involved for RECA Administration (RECA).

RECA is responsible for completing virtually every task and project related to the decisions and needs of the Board and Industry Councils. It might help to think of RECA as the worker bees and the Board and Industry Councils collectively as the queen—it's not a perfect metaphor, but it gives you the general idea.

In the last fiscal year, RECA worked with the Board and Industry Councils to build out comprehensive web pages for each governance group, drafted proposed licensing competencies for each industry and licence class, held stakeholder engagement opportunities, and implement condominium manager licensing. RECA is also involved in preparing for, holding, documenting, and following up on each meeting of the Board and Industry Councils. This work includes putting together the meeting agendas, booking the meetings, creating and disseminating any necessary documentation and information, and taking, prepping and posting meeting minutes.

### Stakeholder Engagement

The real estate, mortgage brokerage, property management, and condominium management industries in Alberta are self-regulated, and RECA is the mechanism through which self-regulation occurs. This regulatory structure requires an open, collaborative, working relationship between the industries and RECA. In order to facilitate this relationship, RECA is committed to engaging stakeholders in a manner that is timely, meaningful, transparent, consistent and equal, and effective.

Commitment to stakeholder engagement isn't new to RECA. In fact, RECA had a Stakeholder Engagement Policy in place long before this last fiscal year. However, to ensure there were no gaps, the board of directors tasked RECA with reviewing and updating the Stakeholder Engagement Policy, based on recommendations in the KPMG report, requirements under the updated *Real Estate Act*, and feedback from the industry. In March 2021, the Board of Directors approved the updated Stakeholder Engagement Policy.

Since then, RECA hosted Online Engagement Sessions with the Board and individual Industry Councils, facilitated direct engagement by setting up email addresses to allow stakeholders directly message the Board and Industry Councils, provided feedback opportunities for licensees, and initiated consultations with representatives of the various industry associations.

These activities were just the beginning. Keep an eye on your email for future opportunities to engage with RECA, the Board of Directors, and the Industry Councils, and for updates based on previous engagements.

## Condominium Management

The Minister of Service Alberta tasked RECA with licensing and regulating condominium managers as of December 1, 2021. While RECA has been working on the eventuality that it would take on this body of work, the last year of preparation was a busy one.

Before condo managers could be licensed, RECA was tasked with establishing the criteria to assess an individual's eligibility. Sounds relatively straight-forward, right? Well, not so much. Six separate sets of eligibility criteria were developed for individuals, depending on experience in the condo management industry and current or previous licence status with RECA in another industry.

With the criteria established, RECA posted the information to [reca.ca](http://reca.ca), including a breakdown of the criteria for each group and answers to frequently asked questions; sent numerous emails to condominium management professionals and licensees in other industries; and kept these groups apprised as the process evolved.

RECA also needed to be ready to perform regulatory duties once condo managers were licensed. RECA reviewed its established processes around brokerage audits and practice reviews, investigations, etc., and developed resources for condo managers and brokerages. In addition to industry focused elements, RECA worked on condo information for consumers.

Resources for both licensees and consumers will continue to be developed over time, as RECA gains new knowledge and as the industry evolves.

## Education Divestment

Similar to other projects tackled by RECA in the past year, divesting from the delivery of licensing education, was a priority set out in the 2020 amendments to the *Real Estate Act*—RECA must divest itself from course delivery by December 1, 2022.

In order to divest from course delivery without leaving a gap in public protection, RECA must ensure the divestment process is done methodically and purposefully. Course providers need to understand the competencies required for learners and need to meet certain competencies themselves in order to ensure they can offer the necessary education for individuals to enter and progress in the real estate, mortgage brokerage, property management, and condominium management industries.

RECA documented, refined, or developed the foundational framework for this divestment, including RECA's Pre-licensing Education Philosophy, requirements for courses and course providers, and an Examination Blueprint for Education. Stakeholder feedback was collected in late spring through an online survey and used to finalize the framework.

With the framework laid out, competencies—skills, knowledge, attitudes, and behaviours needed to perform a particular activity to accepted standards—were identified for each industry and licence class. These competencies were then presented to the Industry Councils for their review and input.

RECA is currently on track to close new registrations for inhouse courses by June 1, 2022. Once this divestment is complete, RECA will be able to refocus on its core regulatory functions of consumer protection, licensing, and enforcement.

### **Enterprise Risk Management**

Having an enterprise risk management (ERM) process in place is essential to overall resilience of RECA as an organization. RECA has been working on an enterprise risk management (ERM) process since 2017. However, the work was still unfinished when KPMG was hired by the Minister of Service Alberta to perform a review of RECA. The recommendations made to the Minister by KPMG renewed RECA's focus on this body of work, which is being overseen by the Board's Finance and Audit Committee.

Stakeholders can expect updates as the ERM development continues.

### **Licence Renewals**

Each fiscal year at RECA ends with licensees renewing their licences for the upcoming year.

Knowing RECA works with more than 16,000 licensees, I was expecting things to be busy. But I was nothing short of amazed by the amount of work RECA puts in to facilitate these renewals in less than two months.

RECA staff from multiple departments collaborate to make this process happen as seamlessly as possible for licensees. The licensing department leads the initiative, pulling together information, updating processes based on experience and feedback, and connecting with licensees. Others in RECA who assist through this process include our regulatory compliance advisors, accounting staff, information officers, reception, communications, and directors.

Under this collaboration, 16,314 licensees across real estate, mortgage brokerage, and property management are licensed to provide Alberta consumers with competent and professional services in their industry. More details on licensing services can be found in the Office of the Registrar section of this report.

### **Thank you**

Once again, I'd like to thank all stakeholders of RECA, both internal and external, for their hard work over the past fiscal year and for welcoming me into this exciting and thriving industry. Thank you.

# BOARD OF DIRECTORS 2020-2021

The Board of Directors is composed of three members of the public appointed by the Minister of Service Alberta, and four licensees, one appointed from each of the four Industry Councils from among their members.

The purposes of the Board are:

- to set the strategic direction
- ensure the effective operation of RECA
- to protect against, investigate, detect and suppress fraud as it relates to the business of licensees
- to protect consumers
- to provide, or support the provision of, services and other things that facilitate the business of licensees, as provided for in the *Real Estate Act* Regulations
- to administer the *Real Estate Act*, the Regulations, the Bylaws, and the Rules

An administrative staff lead by the Chief Executive Officer (CEO), assists the Board and Industry Councils in fulfilling its duties.

## Board members as of September 30, 2021

**PATRICIA MCLEOD, QC**  
BOARD CHAIR

appointed by the Minister of Service Alberta from the public

**JAI PARIHAR, MBA, CFA, ICD.D**

appointed by the Minister of Service Alberta from the public

**VACANT<sup>1</sup>**

appointed by the Minister of Service Alberta from the public

**BILL BRIGGS**

appointed by the Residential Real Estate Broker Industry Council

**LAURA SHAREN**

appointed by the Commercial Real Estate Broker and Commercial Property Manager Industry Council

**CARRIE PLETT**

appointed by the Residential Property Manager Industry Council

**PAUL BOJAKLI**

appointed by the Mortgage Broker Industry Council

<sup>1</sup> Shirish Chotalia resigned from the Board on July 6, 2021





## RECA INDUSTRY COUNCILS



Each Industry Council is comprised of two members of the public appointed by the Minister of Service Alberta, and three licensees from that particular sector, elected by other licensees from that sector. The purpose of each Industry Council is to set and enforce standards of conduct for licensees and the business of licensees in order to protect consumers and promote the integrity of the industry, and to administer the *Real Estate Act*, the Regulations, the Bylaws, and the Rules.

Each Industry Council may establish rules setting out the conditions for a person to become and remain a licensee of their particular industry sector, including the minimum standards for conduct and education requirements.

Industry Council members may be appointed for up to 3 years, and subsequent reappointments may be for up to 3 years and no person may serve as an Industry Council member for more than 6 years of consecutive service.

# COMMERCIAL REAL ESTATE BROKER AND COMMERCIAL PROPERTY MANAGER INDUSTRY COUNCIL

## ACCOMPLISHMENTS

### Education Divestment

- worked with the other industry councils and the Board to get the education framework approved for consultation. The framework consists of the exam blueprint, pre-licensing education philosophy, and course and course provider requirements
- approved for consultation the competency profiles for real estate broker, commercial real estate associate, property manager associate, and rural real estate associate

### Stakeholder Engagement

- hosted an online engagement session on June 2, 2021 where the Industry Council Chair outlined how they will operate and reviewed activity to that point
- created the [CommIC@reca.ab.ca](mailto:CommIC@reca.ab.ca) email address for Industry Council matters
- reviewed feedback from the 2021 Strategic Planning Form on RECA's website
- planned for two Commercial Broker Forums to happen in December 2021

### By-election

- held a by-election to fill the urban commercial practitioner seat in February 2021

### Election Bylaw Criteria

- worked with the Board to come up with the wording for bylaws around elections for Industry Councils

### Regulatory Process

- the Industry Council suspended a licensee on May 10, 2021

### Other matters discussed

- lawyers trading in real estate, FINTRAC requirements, commercial industry licensing structure
- current complaint trends and how they are affecting the industry and the public

## COUNCIL MEMBERS

### TERRY ENGEN CHAIR

appointed by the Minister of Service Alberta from the public

### BRITTANEE LAVERDURE VICE CHAIR

appointed by the Minister of Service Alberta from the public

### CHERI LONG

elected by commercial licensees

### LAURA SHAREN BOARD MEMBER

elected by commercial licensees

### BEN VAN DYK

elected by commercial licensees

# MORTGAGE BROKER INDUSTRY COUNCIL

## COUNCIL MEMBERS

### CLARENCE LEE CHAIR

elected by mortgage broker licensees

### PAUL BOJAKLI VICE CHAIR & BOARD MEMBER

elected by mortgage broker licensees

### GORD APPEL

elected by mortgage broker licensees

### NKEM ONYEBULA

appointed by the Minister of Service Alberta from the public

### GUY OUELLETTE

appointed by the Minister of Service Alberta from the public

## ACCOMPLISHMENTS

### Education Divestment

- worked with the other industry councils and the Board to get the education framework approved for consultation. The framework consists of the exam blueprint, pre-licensing education philosophy, and course and course provider requirements
- approved for consultation the competency profiles for mortgage broker and mortgage associate

### Stakeholder Engagement

- hosted an online engagement session on May 27, 2021 where the Industry Council Chair outlined how they will operate and reviewed activity to that point
- created the [mortgageIC@reca.ab.ca](mailto:mortgageIC@reca.ab.ca) email address for Industry Council matters
- reviewed feedback from the 2021 Strategic Planning Form on RECA's website
- planned for Mortgage Broker Forums to happen in November 2021

### Election Bylaw Criteria

- worked with the Board to come up with the wording for bylaws around elections for Industry Councils

### Licensee Resources

- in partnership with the Alberta Mortgage Brokers Association, approved a mortgage brokerage policies and procedures manual template

### Regulatory Processes

- the Industry Council issued a s.10 order to an unlicensed mortgage brokerage to cease dealing in mortgages

### Other matters discussed

- increase in condition-free offers, resulting in RECA public bulletin about the pros and cons of condition-free offers

# RESIDENTIAL PROPERTY MANAGER INDUSTRY COUNCIL

## ACCOMPLISHMENTS

### Condominium and Property Management

- approved proposed standards of practice for condominium managers
- after consultation, approved the competency profiles for condominium manager brokers and condominium manager associates
- approved licensing eligibility criteria for condominium managers
- notified third-party course providers that the Industry Council would begin recognizing condominium management courses and course providers promptly
- began the eligibility and licensing process for condominium managers in anticipation of the December 1, 2021 licensing date
- approved for consultation the competency profiles for real estate brokers and property manager associates

### Education Divestment

- worked with the other Industry Councils and the Board to have the education framework approved for consultation. The framework consists of the exam blueprint, pre-licensing education philosophy, and course and course provider requirements

### Stakeholder Engagement

- hosted an online engagement session on May 19, 2021 where the Industry Council Chair outlined how the Industry Council will operate and reviewed activity to that point
- created the [ResPMIC@reca.ab.ca](mailto:ResPMIC@reca.ab.ca) email address for Industry Council matters
- hosted five condominium manager licensing information sessions, both in person and virtually
- reviewed feedback from the 2021 Strategic Planning Form on RECA's website
- planned for Property Manager and Condominium Manager Broker Forums to happen in December 2021

### Election Bylaw Criteria

- worked with the Board to come up with the wording for bylaws around elections for Industry Councils

### Regulatory Processes

- as required under the *Real Estate Act*, the Industry Council suspended a licensee on March 8, 2021
- the Industry Council approved a s.54 Lifetime Withdrawal Application by a licensee on July 14, 2021
- worked with the Registrar to develop regulatory reporting

### Other matters discussed

- condominium corporation document fees

## COUNCIL MEMBERS

### DON NEWELL CHAIR

appointed by the Minister of Service Alberta from the public

### DON BROWN VICE CHAIR

elected by property management and condominium management

### KEITH MCMULLEN

elected by property management and condominium management licensees

### CARRIE PLETT BOARD MEMBER

elected by property management and condominium management licensees

### CYRIL PRATT

appointed by the Minister of Service Alberta from the public

# RESIDENTIAL REAL ESTATE BROKER INDUSTRY COUNCIL

## COUNCIL MEMBERS

### SANO STANTE CHAIR

elected by residential real estate licensees

### BRAD KOPP VICE CHAIR

elected by residential real estate licensees

### BILL BRIGGS BOARD MEMBER

elected by residential real estate licensees

### BRAD HAMDON

appointed by the Minister of Service Alberta from the public

### ERIKA RINGSEIS

appointed by the Minister of Service Alberta from the public

## ACCOMPLISHMENTS

### Education Divestment

- worked with the other industry councils and the Board to get the education framework approved for consultation. The framework consists of the exam blueprint, pre-licensing education philosophy, and course and course provider requirements
- approved for consultation proposed competency profiles for real estate brokers and residential real estate associates

### Stakeholder Engagement

- hosted an online engagement session on March 31, 2021 where the Industry Council Chair outlined how they will operate and reviewed activity to that point
- created the [ResIC@reca.ab.ca](mailto:ResIC@reca.ab.ca) email address for Industry Council matters
- reviewed feedback from the 2021 Strategic Planning Form on RECA's website
- planned for Residential Broker Forums in November 2021
- attended AREA Industry Leaders Event in September 2021
- personally met with organized real estate boards across the Province

### Election Bylaw Criteria

- worked with the Board to develop bylaws around elections for Industry Councils

### Regulatory Processes

- the Industry Council issued a s.10 order to an unlicensed real estate brokerage to cease trading in real estate

### Other matters discussed

- provided clarity on RECA's position concerning the ability of trade associations to create rules for their listing databases and how they can create those rules while maintaining public protection
- review of disproportionate volume of complaints related to advertising, incentives, and guaranteed sales. Encouraged licensees to use alternative resolution processes.
- review of the Residential Measurement Standard (RMS) and the creation of the RMS Ad-Hoc Subcommittee



## KPMG REPORTS

The purpose of RECA is to protect the members of the public when using the services of real estate licensees in Alberta. To achieve this purpose, the public must have confidence that licensees are competent, professional, and accountable to a robust, modern regulatory body.

The Minister of Service Alberta triggered a review of RECA under s.76 of the *Real Estate Act* (REA) in November 2018, which resulted in a KPMG Governance Review Report being issued in June 2019 and a KPMG Operational Report being issued in March 2020. These reports were delivered to the Minister directly, and the recommendations were for the consideration and possible adoption by the Minister. At the discretion of the Minister, many of the recommendations in the Governance Report were enabled directly through the dismissal of the former Council or were otherwise mandated in the amendments to the *Real Estate Act* that came into effect on December 1, 2020.

The remaining recommendations, beyond those enacted by governance changes or in the amended *Real Estate Act*, have been carefully considered by the Board of Directors for applicability to RECA under its current enabling legislation. As the following status update demonstrates, the vast majority of the KPMG Report recommendations have been addressed by the amended *Real Estate Act* or voluntarily adopted by the current Board. RECA values continuous improvement and adopting strong governance practices will lead to a more transparent, more accountable regulator.

The status of all major recommendations from both KPMG Reports are contained on the following pages and are current as of January 21, 2022.

## RECOMMENDATION

## STATUS

## COMPLETED BY

The Minister should consider dismissing the current Council and appointing an Administrator as outlined in Section 76(6 a) and (b) of the Act in order to:

- Eliminate Council infighting and redirect Council's effort and resources on serving the interests of Albertans;
  - Eliminate the accusations and perception that AREA is trying to control RECA through its appointees; and
  - Be a decisive and visible way to demonstrate intolerance for poor governance practices and "reset" relations between RECA and industry.
- (truncated)

**Completed**

**Government of Alberta**

Notwithstanding that this recommendation would likely result in a timely and definitive resolution to many of RECA's governance challenges, Section 76 of the Act appears to limit the Minister's ability to dismiss Council without issuing an order to Council and having Council not comply with the order. If the Minister does not make legislative changes to allow immediate dismissal of Council, the Minister should consider the following recommendations:

1.1. The Minister should consider ordering Council and Administration to undertake a formal dispute resolution process with an external mediator to resolve the primary disputes among Council members, and between Council and Administration.

1.2. The Minister should consider ordering Council to implement the recommendations in this Review in a timely manner, and provide monthly status updates on Council's progress towards implementing them.

1.3. The Minister should consider appointing a Monitor that would attend Council meetings and be included on their correspondence and reports. The role of the Monitor would be to:

- Assess Council's compliance with the Ministerial orders fully and in good faith, and report to the Minister on such;
- Act as a liaison between Council and the Minister; and,
- Observe Council's performance and its progress generally towards becoming more effective at governing RECA and regulating the industry.

If the Minister dismisses Council and appoints an Administrator, the Minister should consider proceeding with the selection of a new Executive Director (CEO) to replace the retiring Executive Director (CEO) in August 2019. A timely change in the Executive Director (CEO) would be an opportunity to signal a renewed interest in building constructive relationships.

**Completed**

**The Board**

The Board hired a new CEO on **August 9, 2021**.

---

Prior to reappointing a Council, the Minister should consider evaluating and enacting legislative changes to the Act to address the composition of Council.

**Completed**

**Government of Alberta**

The Minister should consider amending Section 6 of the Act to increase public representation on Council, and prevent any one body from having undue influence over the appointments of Council members. For example, the Minister could explore the following:

- Include at least three public members (25%) not appointed by industry to be consistent with leading practice to increase public presentation on regulatory boards and pursue a skills-based board;
- Appoint industry members directly from their professions, and not through industry associations; and,
- Balance industry professions. Industry appointees would need to provide specific skills (i.e., knowledge of their industry and professions) in keeping with a skills-based board and not be representatives of their industries. Industries do not need to be represented proportionately.

As part of this recommendation, the Minister should work with Council to identify required skills to be an effective governing body and to use its public appointments to address the desired skill requirements.

If the Minister dismisses Council, they should consider amending Section 6 of the Act, before a new Council is appointed.

**Completed**

**Government of Alberta**

The Minister created a new governance model effective December 1, 2020.

Addressed under s.6(1) and s.7.1(1)(2) of the REA.

The Minister should consider requiring that Council amend its bylaws to reflect the following changes:

- Deem the Chair Elect to be reappointed for the start of their second term, or automatically reappoint Council members for a second term, except for reasons of non-performance. Such changes would also require an amendment to the Act; and,
- Include a process to vote for the Chair position in the event that the Chair Elect leaves Council.

**Not Applicable**

**Government of Alberta**

Not applicable, given the changes to the REA.

New bylaws, approved by the Minister, outline this process.

---

The Minister should consider monitoring how Council allocates its efforts to ensure it focuses sufficient attention on the strategic and regulatory mandate of RECA.

**Completed**

**Government of Alberta**

Addressed under s.16(1.1)(1.2) of the REA.

Requirement for the Board to prepare a business and financial plan to be provided annually to the Minister.

Audited financial statements and annual report provide accountability and addressed in s.16(1) of the REA.

---

The Minister should consider amending the Act to require bylaw changes be approved by external constituents in order to provide accountability over the rules by which Council operates. Until the Act is amended, the Minister should consider ordering Council to submit all changes to its bylaws for the Minister's review and approval.

**Completed**

**Government of Alberta**

Addressed under section 11.01(1) and (3) of the REA.

For 2 years following December 1, 2020, any new bylaw or amendment to a bylaw shall not have effect until it has been approved in writing by the Minister.

Minister has authority to give direction on approvals after December 1, 2022, and intervene if necessary.

The Minister should consider requiring the Chair to enforce good governance practices during Council meetings and to not accept motions to amend bylaws in Council meetings unless the proposed amendments have been reviewed by Council's Governance Committee.

**Completed**

**Government of Alberta**

Requirement for Minister's approval for the first two years in accordance with s.11.01(1) and (3) of the REA.

REA requires review of certain bylaws every three years and needs to be repassed by four or more board members in accordance with s.11.1(2).

Minister has authority to give direction on approvals after December 1, 2022, and intervene if necessary.

---

If an Administrator is not appointed by the Minister, the Minister should consider requiring the Succession Planning Committee bring forward two possible candidates for Council to consider in order to build trust in the process of hiring a replacement Executive Director.

**Not Applicable**

**Not Applicable**

Not applicable, given the changes to the REA.

---

The Minister should consider requiring Council to establish and follow a defined, annual performance management process for the Executive Director (CEO).

**Completed**

**Government of Alberta and the Board**

The Minister passed legislation requiring annual performance review of the Executive Director in accordance with s.8(5) of the REA.

The Board has completed their 2021 review of the CEO and the annual process and timeline has been established.

---

The Minister should consider requiring Council to implement a risk management framework, as planned by Council. Given the importance of monitoring and managing risk to the governance role of Council, the Minister should consider requiring Council to implement the risk management framework within the current fiscal year.

**In Progress**

**The Board**

The Board has been working on this matter and is expected to be completed in **March 2022**.

The Minister should consider requiring Council to call meetings in a timely manner to address matters that affect its ability to operate effectively.

The Minister should consider requiring Council to establish a more transparent agenda-setting process. The process would require the Chair to communicate reasons for not including or deferring agenda items.

**Completed**

**The Board**

New governance bylaws & policies established by the Board.

The Minister should consider requiring RECA to pursue a formal dispute resolution process with AREA using an external mediator to resolve the primary disputes between their organizations, and to agree on protocols to interact more constructively.

**Not Applicable**

**Not Applicable**

With the establishment of a new governance structure and board by the Government of Alberta in response to the KPMG Report recommendations, RECA believes that formal dispute resolution of the issues referenced between RECA and AREA during the time frame of the KPMG Report is not applicable. That said, RECA acknowledges that AREA has continued to express serious concerns on behalf of their membership with enforcement decisions made by RECA. RECA is committed to fostering a more productive relationship and will continue to engage on these concerns impacting industry looking forward.

The Minister should consider requiring that RECA solicit feedback and input from its industry stakeholders on the adequacy of its stakeholder engagement activities, and strive to ensure that all engagement is meaningful in the eyes of the stakeholders, and that decisions are more transparent. An independent third-party could be contracted to obtain the feedback, and input to encourage openness and to avoid a perception of bias in consolidating and communicating the results.

**Completed**

**The Board**

Board approved Stakeholder Engagement policy (March 2021).

Companion Guidelines for Stakeholder Engagement Policy approved January 2022.

The Minister should consider requiring Council to establish its committees as soon as possible for the current fiscal year.

**Completed**

**The Board**

---

The Minister should consider requiring Council to review the terms of reference for all its committees so that they continue to reflect Council's intent for them.

**Completed**

**The Board**

---

The Minister should consider amending the Act and requiring Council to make supporting bylaw changes to implement a dispute resolution process for Council members.

**Completed**

**Government of Alberta and the Board**

Addressed under s.11.3 of the REA.

Dispute resolution bylaws have been developed and approved by the Minister.

---

The Minister should consider requiring Council to implement a formal performance evaluation process and use evaluations of its individual members as a criterion in determining eligibility for reappointment.

**Completed**

**Government of Alberta and the Board**

The new REA implemented an entirely new governance model with a mix of public appointments and elected industry representatives to the Board and Industry Councils. Annual evaluation process for its members have been developed, approved and implemented by the Board & Industry Councils to be conducted on annual basis as part of good governance strategy. Application to elected industry members will still be subject to the election process.

The bylaws and election processes have been defined which includes eligibility requirements.

The Minister should consider requiring Council to include an evaluation of its performance as part of its annual reporting to the Minister. Council's performance evaluation should include an assessment of the working relationships within Council, between Council and Administration, and with key industry stakeholders.

---

**Completed**

**The Board**

As part of the Board's annual report to the Minister, a governance section has been included.

The Minister should consider requiring Council to implement a performance management framework and use it to evaluate and communicate RECA's effectiveness in fulfilling its mandate.

---

**Completed**

**Government of Alberta**

Addressed under s.16(1.2) of the REA.

The Minister should consider requiring Council to approve RECA's budget at a level of detail that reflects the level of spending authority being granted. The approved budget should be clearly stated as such.

---

**Completed**

**The Board**

The Minister should consider requiring that RECA's quarterly reporting of actual results be provided to Council in the same level of detail and using the same line items as the approved budget.

---

**Completed**

**The Board**

The Minister should consider requiring RECA to provide Council a reconciliation between the year-end financial statements and the quarterly reporting. If these are prepared at different levels or using different line items.

**Completed**

**The Board**

## RECOMMENDATION

The Minister should consider requiring RECA to review the level of direct supervision required by its Professional Conduct staff in order to support the level of oversight and guidance needed to maintain the quality of investigations.

## STATUS

### Completed

The situation during the review was temporary and was in the process of being resolved and has since been resolved.

## COMPLETED BY

**RECA Administration as confirmed by the Board**

The Minister should consider requiring that RECA's quarterly reporting of actual results be provided to Council in the same level of detail and using the same line items as the approved budget.

*(Repeated Recommendation from the Governance Review)*

### Completed

**The Board**

The Minister should consider requiring Council to implement a performance management framework and use it to evaluate and communicate RECA's effectiveness in fulfilling its mandate.

*(Repeated Recommendation from the Governance Review)*

### Completed

Addressed under s.16(1.2) of the REA.

**Government of Alberta**

The Minister should consider requesting that RECA prepare a financial sustainability plan.

### In Progress

New multi-year Strategic Plan and 2022/2023 budget will address RECA's financial sustainability. Expected to be completed by **June 2022**.

**Government of Alberta and the Board**

In accordance with s.16(1.1) of REA a requirement for providing a three year business and financial plan.

The Minister should consider requiring that RECA develop a policy governing the use of its operating fund reserves, including the target size of the fund and what to do with funds in excess of the target. For example, excess funds could be re-invested in operations or used to reduce debt.

**Completed**

**The Board**

RECA has established financial policies and adopted a reserve policy setting reserve targets.

The Minister should consider requiring Council to more clearly approve RECA's spending authority by approving a budget at a level of detail consistent with the authority granted. The approved budget should be clearly stated as such.

**Completed**

**The Board**

The Minister should require that RECA set its license fees to cover the cost of its regulatory operations. This will promote more sustainable funding should there be changes in RECA's delivery of education, and will make RECA's costs to members more transparent. This may require a transition period to allow RECA to realign its fees with its expenditures.

**In Progress**

**The Board**

Strategic planning and budget process undertaken in 2022 will assess how to fund RECA's cost of regulatory operations sustainability and predictability.

The Minister should consider requiring RECA to demonstrate that its regulatory operations are not dependent on revenues from education courses, and requiring RECA to revise its Education Course Pricing Policy to stipulate that surplus education revenues cannot be used to offset regulatory operations.

**Not Applicable**

**Not Applicable**

Not applicable as education is being divested.

The Minister should consider requiring RECA to conduct a fulsome review of its human resource practices and workplace culture to determine potential system causes for its high turnover and complaints. The review should be conducted by an independent consultant to remove potential perceptions of bias and encourage open participation. The review should include an employee survey and direct employee engagement. The Minister should also consider encouraging RECA to conduct on-going employee surveys (annual or bi-annual) to track changes in employee engagement over time.

**In Progress**

**RECA  
Administration with  
oversight of the  
Board**

Employee engagement survey and compensation review scheduled for Spring 2022.

The Minister should consider requesting RECA to enhance its whistleblower policy and procedure by using an external service to receive complaints and concerns, and provide initial process advice to employees. An external service should help to remove any perceptions of bias that may accompany an internal reporting process and encourage open reporting of concerns.

**In Progress**

**The Board**

RECA's whistleblower policy is under review and any changes if recommended will be adopted in the Spring of 2022.

Process, retaliation, and third-party investigator addressed in RECA's Health and Safety Manual – Respect in the Workplace section.

---

The Minister should consider requiring RECA to implement a formal compensation policy to increase transparency around how salaries and bonuses are determined.

**Completed**

**RECA Administration with oversight of the Board**

RECA has a formalized job evaluation system for determining the relative work/value of jobs.

RECA does not have any bonus incentive or at risk pay programs.

---

The Minister should consider requiring RECA to conduct independent reviews of its regulatory performance on a regular, periodic basis (e.g. every five years).

**In Progress**

**The Board**

RECA had Field Law complete a Regulatory Performance Review in 2016. RECA will be going back to market for an independent consultant to conduct a similar review in 2022.

The Minister should consider requiring RECA to establish a complaints process for industry professionals who are being investigated. This process would include logging complaints lodged against investigators to better support training and development needs for all team members. Complaints should be made to an individual or department that is independent of the Professional Conduct Team.

This practice, when combined with increased oversight over investigations could help to promote a standard of excellence and fairness within RECA's investigations.

**Completed**

Process is addressed in Investigation Policy 7.6 (updated January 2021).

**RECA  
Administration with  
oversight of the  
CEO**

---

The Minister should consider examining the possibility of amending the Act to remove the requirement for a council member to sit on hearing panels.

**Completed**

Addressed in s.36(4) of the REA, no Board or Industry Council members may sit on hearing panels.

**Government of  
Alberta**

---

The Minister should consider requiring that RECA complete its review of administrative penalties as recommended in the Field Law report, and that it establish a policy that guides future updates based on changes and circumstances or minimum time frames.

**Completed**

Review of administrative penalties completed in 2019.

**Prior Council  
and RECA  
Administration**

---

The Minister should consider requiring that RECA develop and publish competency for each of its professions and evaluate its education courses against the competencies to ensure there is no missing or excess material. This should not preclude RECA from participating in the national initiative for this.

**Completed**

Industry Councils developed and approved competencies.

**Industry Council**



# GOVERNANCE REPORT

## Board and Industry Council Meetings

The activities required by the *Real Estate Act* in the first year of the new governance model required the Board and the Industry Councils to meet often in order for the work to be completed. The Board also created the informal Chairs' Roundtable as a place where the Board and Industry Council Chairs can meet to ensure each body is making decisions consistently and with the same information. The Roundtable ensures there is communication and collaboration between the Board and Industry Councils.

## Board, Committee, and Industry Council Attendance and Compensation

*Fiscal 2020/2021 (October 1, 2020 to September 30, 2021)*

The Board and Industry Council members are compensated for their time based on honorariums for meeting attendance, and for their expenses in carrying out their duties.

Director's Attendance & Compensation Board & Committee			
Director	Meetings Attendance	Meetings Held	Compensation
Patricia McLeod, QC, Chair	43	43	\$57,700
Paul Bojakli	31	33	\$13,000
Bill Briggs	40	40	\$16,900
Shirish Chotalia <sup>1</sup>	16	16	\$8,300
Jai Parihar	17	17	\$7,400
Carrie Plett	38	38	\$15,600
Laura Sharen	33	33	\$12,600

<sup>1</sup> Shirish Chotalia resigned from the Board on July 6, 2021

**Industry Council Member Attendance & Compensation****Commercial Real Estate Broker & Commercial Property Manager Industry Council**

Industry Council Member	Meetings Attendance	Meetings Held	Compensation
Terry Engen, Chair	18	18	\$10,100
Brittanee Laverdure	11	12	\$4,000
Cheri Long <sup>1</sup>	10	12	\$4,800
Laura Sharen*			
Ben Van Dyk	12	12	\$4,300

<sup>1</sup>Cheri Long was elected to the Industry Council on February 5, 2021

**Industry Council Member Attendance & Compensation****Mortgage Broker Industry Council**

Industry Council Member	Meetings Attendance	Meetings Held	Compensation
Clarence Lee, Chair <sup>1</sup>	13	13	\$5,900
Gord Appel	18	18	\$8,400
Paul Bojakli*			
Nkem Onyegbula	11	13	\$4,100
Guy Ouellette	13	13	\$4,700

<sup>1</sup>Clarence Lee took over as Industry Council Chair from Gord Appel on September 17, 2021

**Industry Council Member Attendance & Compensation****Residential Property Manager Industry Council**

Industry Council Member	Meetings Attendance	Meetings Held	Compensation
Don Newell, Chair	18	18	\$10,700
Don Brown <sup>1</sup>	19	19	\$7,700
Keith McMullen	13	13	\$6,800
Carrie Plett*			
Cyril Pratt	13	13	\$6,800

<sup>1</sup>Meeting attendance includes Condominium Managers Implementation Advisory Committee meetings

**Industry Council Member Attendance & Compensation****Residential Real Estate Broker Industry Council**

Industry Council Member	Meetings Attendance	Meetings Held	Compensation
Sano Stante, Chair	18	18	\$9,300
Bill Briggs*			
Brad Hamdon	14	14	\$5,500
Brad Kopp	13	14	\$4,600
Erika Ringseis	14	14	\$4,600

\*Industry Council members who are also on the Board have their full combined compensation and meetings listed in the Board of Directors table.

## Comparison Summary of Council Honorariums and Professional Development

The Council from 2014 to 2019 consisted of 12 individuals and 12 Council member roles versus under the new governance structure in 2020-21 the new Board and four Industry Councils consist of 23 individuals and 27 roles.

### RECA - 5-Year Summary of Council Honorariums and Professional Development Expenses

Fiscal Year <sup>1</sup>	Council Member Honorariums	Council Professional Development Expenses	Council Professional Development Honorariums	Total
2018-2019	186,400	65,976	12,500	264,876
2017-2018	199,500	67,877	32,100	299,477
2016-2017	174,600	66,604	40,600	281,804
2015-2016	116,600	65,525	45,200	227,325
2014-2015	98,100	56,291	34,300	188,691
<b>5-Year Average</b>	<b>\$155,040</b>	<b>\$64,454</b>	<b>\$32,940</b>	<b>\$252,434</b>

### RECA - Board and Industry Council Honorariums and Professional Development Expenses

2020-2021 <sup>2</sup>	\$228,700	\$442	-	\$229,142 <sup>3</sup>
------------------------	-----------	-------	---	------------------------

<sup>1</sup> No Council in place 2019-2020 fiscal year. Minister appointed Interim Administrator."

<sup>2</sup> New Board and Industry Councils were appointed December 1, 2020.

<sup>3</sup> Amount shows honorarium and professional development expenses. For all other amounts related to the Board and Industry Councils, please refer to the Financial Statements.

## CEO and Registrar Compensation

The CEO and the Registrar are accountable to the Board of Directors. RECA's CEO began his tenure on August 9, 2021, less than two months before the end of the fiscal year. RECA was without a permanent CEO for the remainder of the fiscal year. As per section 16 of the *Real Estate Act*, RECA must report on total compensation paid to the Executive Director (CEO) and the Registrar. Compensation includes salary, benefits, and expenses.

	Salary	Other Cash Compensation	Other Non-Cash Benefits	Total
CEO, Russ Morrow	\$32,451.92	\$26,000.00	\$3,508.25	\$61,960.17
Registrar, Charles Stevenson	\$194,528.06	\$21,642.85	\$18,475.40	\$234,646.31

## **Governance Training, Processes, and Policies**

The Board and Industry Councils were required by the amended *Real Estate Act* to undertake certain governance activities and create governance processes and policies. These activities are listed below.

### **Board and Industry Council Member Orientation**

All Board and Industry Council members took part in a comprehensive orientation session on January 14 and 15, 2021. Members who joined after that time underwent the same orientation session. These sessions, facilitated by senior RECA staff, explained the governance roles of each member, an extensive overview of RECA's mandate, its history, its programs, and its services, a review of RECA's legislative framework, budget overviews, a review of the KMPG Governance and Operational Reports, and an extensive overview of the licensing, practice review, investigations, and hearings processes.

### **Board and Industry Council Member Governance Training**

Each member was required by the *Real Estate Act* to undergo mandatory governance training within the first year of operations under the new governance model. RECA contracted an external governance expert to hold this training for each Board and Industry Council member in February 2021.

### **Board Evaluation Process**

As required by the *Real Estate Act* bylaws, the Board approved a Board Evaluation Process developed by the Governance and Human Resources Committee. To support better governance, each Board member will complete annual evaluation questionnaires on the Board, the Standing Committees, and the Chairs of the Board and Standing Committees.

### **Board and Industry Council Professional Development Policy**

In July 2021, the Board approved a Professional Development Policy for the Board and Industry Councils. The policy creates a budget and the opportunity for all Board and Industry Council members to undertake professional development in the interest of better governance.

# 2020-2021 COMMITTEES

On December 1, 2020, the *Real Estate Amendment Act 2020* came into force, creating a new governance structure for RECA comprised of a Board of Directors and four sector-specific Industry Councils. The powers of the previous Council that were retained in the Act were split between the Board and these Councils.

Section 12 of the *Real Estate Act* Bylaws allows the Board to establish standing, advisory, and ad hoc committees for the Board and Industry Councils. The Board determines the committee's mandate, composition and reporting requirements, and any recommendation or decision of a committee must be ratified by the Board prior to being acted on.

The Board appoints all Board committee members, including the committee chair, by majority vote. The Industry Council for which a particular Industry Council committee relates appoints all Industry Council committee members, including the committee chair, by majority vote.

The Board currently has three standing committees (Finance and Audit Committee, Hearings Committee, and Governance and HR Committee), and one special committee to move the regulation of condominium managers forward towards the Dec 1, 2021 licensing date (the Condominium Manager Implementation Advisory Committee).

## Standing Committees

### Governance & HR Committee

Committee Chair - Patricia McLeod, QC\*

Bill Briggs

Carrie Plett

Review, provide advice, and make recommendations to the Board with respect to, but not limited to, the following:

- assist the Board in fulfilling its obligations relating to human resource and compensation matters
- develop the CEO and Registrar recruitment, selection, and evaluation processes, oversee and make recommendations to the Board on the appointment of the CEO and Registrar, annually review and recommend to the Board: job description, roles and responsibilities, development and succession plans for the CEO and Registrar
- develop annual evaluation, orientation, professional development, and governance training processes for the Board, Industry Councils, Standing Committees, Board Chair and Committee Chairs
- review Board and Industry Council Remuneration and Reimbursement policy
- review the bylaws governing the conduct, the roles and responsibilities of Board and Industry Council members every three years
- annually review and recommend to the Board appointments of Committee Chairs and members to Board standing committees
- review of major changes to the organizational structure of RECA
- consider, review, and make recommendations to the Board on bylaws, policies, and practices

with respect to oversight or human resources to assure that they reflect best practices and are appropriate

*\*Patricia McLeod, QC was the Interim Chair from July 6, 2021 - November 30, 2021. Shirish Chotalia was the Committee Chair from December 1, 2020 - July 6, 2021.*

## Finance and Audit Committee

**Committee Chair - Jai Parihar**  
**Paul Bojakli**

**Laura Sharen**  
**Ex-officio - Patricia McLeod, QC**

Review, provide advice, and make recommendations to the Board with respect to, but not limited to, the following:

- review and recommendation for approval by the Board of the annual financial plan, annual financial statements and quarterly financial statements
- the financial, accounting, investment policies, and operating fund of the Real Estate Council of Alberta
- the annual budget prepared by administration and update of quarterly budget forecast
- the real estate assurance fund and use of surplus funds for purposes mandated by the *Real Estate Act*
- selection and approval by the Board of the external auditor and auditor fee
- reviewing the annual audit plan and receiving and reviewing the audit results with the auditor
- review of, or changes to, accounting practices, policies and internal controls
- monitor RECA's Enterprise Risk Management (ERM) program

## Hearings Committee

**Committee Chair - Bill Briggs**  
**Vice Chair - Carrie Plett**  
**Paul Bojakli**

**Kathryn Oviatt**  
**Laura Sharen**  
**Ex-officio - Patricia McLeod, QC**

Identify, research and review issues relevant to the responsibilities of the Board, hearing panels, and appeal panels as outlined in Part 3 of the *Real Estate Act* and to make recommendations to the Board with respect to these areas of responsibility including:

- RECA's Practice & Procedures Guidelines for Hearing and Appeal Panels
- appointment of industry and public members to RECA's roster of hearing and appeal panel members
- education and training of hearing and appeal panel members
- honorariums for hearing and appeal panel members
- amendments to the *Real Estate Act*, Part 3 (Conduct Proceedings) concerning the operation of RECA's hearing and appeal panels and related issues
- RECA's bylaws concerning the payment of costs associated with investigations and hearings
- acceptable form and additional requirements for s.46 statements of admission of conduct

## Other Committees

### Condominium Manager Implementation Advisory Committee

Chair - Deborah Howes

### RMS Ad-hoc Committee

Chair - Brad Kopp



The Office of the Registrar has primary responsibility for RECA's regulatory functions. This includes licensing, discipline, and trust assurance and practice review.

## LICENSING SERVICES

Refused	0
Cancelled	Real Estate: 1 brokers
Suspended	Real Estate: 3 brokers, 0 brokerages, 0 associate brokers, 3 associates Mortgage: 0 brokerage, 0 broker, 0 associates
Conditions Applied	Real Estate: 65 brokers, 72 brokerages, 1 associate brokers, 88 associates Mortgage: 35 brokers, 29 brokerages, 19 associates Appraiser: 1 Candidate: 0
Lifetime Withdrawals Approved	Real Estate: 1 brokers, 0 associates Mortgage: 0 associate

## AUTHORIZATIONS

Active Authorizations as of September 30, 2021

### REAL ESTATE

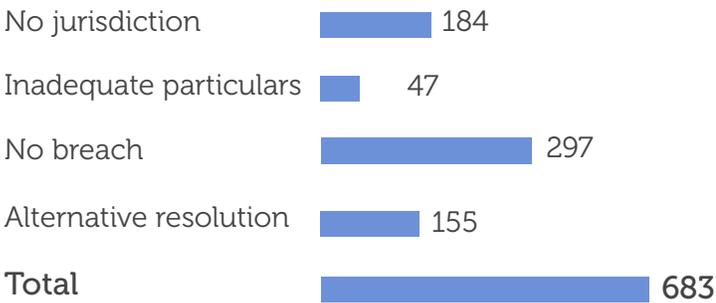
Brokerages	971
Brokers	971
Associate Brokers	665
Associates	11,603
Individuals	13,239

### MORTGAGE BROKERAGE

Brokerages	343
Brokers	343
Associates	2,139
Individuals	2,482

# PROFESSIONAL CONDUCT REVIEW

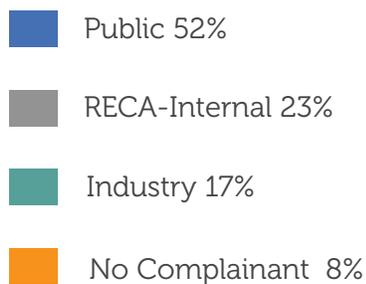
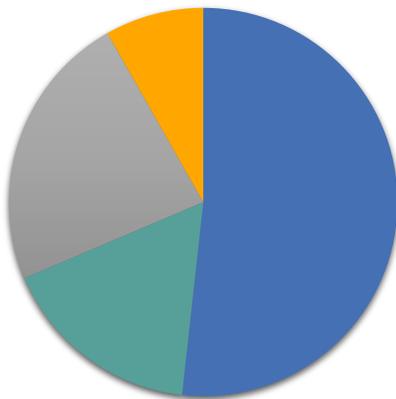
## REASON FOR COMPLAINT REFUSAL



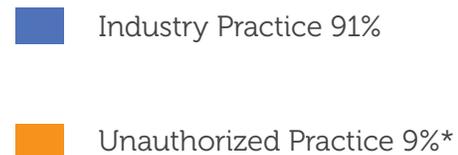
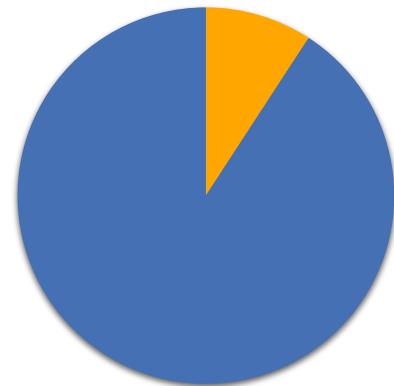
## COMPLAINTS AND INVESTIGATION OUTCOMES

Refused	683
Alternative Resolution Post-Investigation	2
Discontinued	79
Insufficient Evidence Found	127
Letter of Warning (Unauthorized Practice)	39
Advisory Note Issued	100
Letter of Reprimand Issued	88
Administrative Penalty Issued	107
Sent to Conduct Proceedings	13
<b>Total</b>	<b>1,238</b>

## SOURCE OF REVIEWED COMPLAINT



## COMPLAINTS REFERRED FOR INVESTIGATION



*\*Unauthorized practice is when unlicensed persons or companies trade in real estate, property management, or deal in mortgages, contrary to section 17 of the Real Estate Act.*

# PROFESSIONAL CONDUCT REVIEW

## FILE COUNT

Open files as of Oct. 1, 2020	49
Files opened during year	18
Files closed during year	11
Open files as of Sept. 30, 2021	56

## FINES AND PENALTIES

Fines Ordered	\$59,500
Fines Received	\$4,850
Administrative Penalties Ordered	\$218,500
Administrative Penalties Received	\$195,629

## TRUST ASSURANCE AND PRACTICE REVIEW

Regular Reviews	153
Special/Follow Up Reviews	0
Total	153

## FILE CLOSING PROCESS\*

Administrative Penalty Appeal REA s.83.1	7
Administrative Penalty issued	107
Administrative Penalty withdrawn	0
Appeal Panel Decision REA s.48	2
Complainant Appeal REA s.40	1
Court Appeal REA s.52	0
Extension of Time REA s.79	0
Hearing Panel Consent REA s.46	1
Hearing Panel Contested REA s.43	4
Judicial Review Decisions	0
Letter of Reprimand Appeal s.40.1	0
Letter of Reprimand s.39	86
Advisory Note Reg s.21	98
Freeze Order REA s.75	0
Insufficient Evidence REA s.39	132
Legal Opinion Completed	2
Lifetime Withdrawal REA s.54 (people not files)	1

*\*Files closed in 2020-2021 were not necessarily opened in the same fiscal year.*

# EDUCATION PROGRAMS



RECA's Education Programs department provides innovative, leading-edge career preparation and training programs for professionals in the industries RECA governs. Not all individuals who enrolled in RECA courses in fiscal 2020-2021 completed their course in the same fiscal year. In 2020-2021, RECA experienced a significant increase in education enrollments.

## PRE-LICENSING ENROLLMENT

Real Estate Associates Program	
Introductory Real Estate Info Session	3,798
Fundamentals of Real Estate	3,180
Practice of Residential Real Estate	1,546
Practice of Commercial Real Estate	410
Practice of Rural Real Estate	244
Practice of Property Management	326
Real Estate Broker Program	153
Mortgage Associates Program	
Fundamentals of Mortgage Brokerage	576
Mortgage Brokers Program	45
Consumer Relationships	41

## COURSE COMPLETIONS

Real Estate Associates Program	
Introductory Real Estate Info Session	3,798
Fundamentals of Real Estate	1,700
Practice of Residential Real Estate	1,355
Practice of Commercial Real Estate	221
Practice of Rural Real Estate	171
Practice of Property Management	279
Real Estate Broker Program	89
Mortgage Associates Program	
Fundamentals of Mortgage Brokerage	341
Mortgage Brokers Program	15
Consumer Relationships	30



# REAL ESTATE ASSURANCE FUND

The Real Estate Assurance Fund (REAF) compensates consumers who suffer a financial loss as a result of fraud or breach of trust in a trade in real estate or a deal in mortgages. This includes a real estate or mortgage brokerage's failure to disburse or account for money held in trust. REAF is funded entirely by a levy on new real estate and mortgage brokerage professionals.

Compensation paid from REAF since its inception in 1985 totals \$3,473,287. Compensation paid from REAF since RECA began administering it totals \$1,925,596. RECA paid \$234,645 in compensation from REAF in the 2020-2021 fiscal year. There are 19 potential future applications for compensation (open claim files) from REAF as of September 30, 2021, with total reserves of \$893,230 set aside.

## FILES OPENED AND RESERVES SET ASIDE

		\$
2020-2021	5	147,812
2019-2020	3	428,000
2018-2019	4	133,000
2017-2018	6	581,446
2016-2017	3	219,063
2015-2016	0	0
2014-2015	7	738,000
2013-2014	4	314,600
2012-2013	2	25,000
2011-2012	5	170,000
2010-2011	4	140,000

## CLAIMS PAID

	\$
2020-2021	234,645
2019-2020	101,358
2018-2019	145,062
2017-2018	695,542
2016-2017	244,631
2015-2016	0
2014-2015	9,833
2013-2014	0
2012-2013	0
2011-2012	7,124
2010-2011	35,000
2009-2010	105,855
2008-2009	143,276
2007-2008	90,140
2006-2007	0
2005-2006	0
2004-2005	0
2003-2004	0
2002-2003	20,858
2001-2002	0
2000-2001	0
1999-2000	56,761



## Senior Management

Russ Morrow  
Chief Executive  
Officer

Charles Stevenson  
Registrar

Joseph Fernandez  
Director, Education  
Programs

Warren Martinson  
Director, Corporate  
Services

## Service Providers

Bank of Montreal  
Banking Services

Mawer  
Investment  
Management  
Investment  
Counsel

Toole Peete &  
Co.  
Limited  
Insurance  
Agent

MNP LLP  
Auditor

A close-up photograph of a hand holding a silver pen over a document. The background is softly blurred, showing what appears to be a window with light coming through. A semi-transparent blue rectangular overlay is positioned across the middle of the image, containing the text 'FINANCIAL STATEMENTS' in white, bold, uppercase letters.

# FINANCIAL STATEMENTS

**Real Estate Council of Alberta**  
**Financial Statements**  
*September 30, 2021*

## Management's Responsibility

---

To the Board Members of the Real Estate Council of Alberta:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial reports are properly maintained to provide reliable information for the preparation of financial statements.

The Board and the Finance and Audit Committee are composed primarily of Board Members who are neither management nor employees of the Council. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditor. The Board is also responsible for recommending appointment of the Council's external auditor.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board Members to audit the financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

January 21, 2022

e-Signed by Russ Morrow  
2022-01-21 12:54:20:20 MST

---

R. Morrow, Chief Executive Officer

e-Signed by Warren Martinson  
2022-01-21 13:33:27:27 MST

---

W. Martinson, Director, Corporate Services

---

To the Board of Real Estate Council of Alberta:

## Opinion

We have audited the financial statements of Real Estate Council of Alberta (the "Council"), which comprise the statement of financial position as at September 30, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at September 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council 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.

## 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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Council'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 Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta

January 21, 2022

*MNP* **LLP**

Chartered Professional Accountants

**Real Estate Council of Alberta**  
Statement of Financial Position  
As at September 30

	Council Operating Fund	Assurance Fund	2021	2020
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 23,026,758	\$ 4,018,201	\$ 27,044,959	\$ 10,334,908
Short-term investments (Note 4)	-	-	-	10,720,555
Accounts receivable and accrued interest receivable	48,172	-	48,172	51,651
Prepaid expenses	377,682	-	377,682	360,843
Due from/(to) funds	(128)	128	-	-
	<u>23,452,484</u>	<u>4,018,329</u>	<u>27,470,813</u>	<u>21,467,957</u>
Development costs (Note 5)	1,059,782	-	\$ 1,059,782	1,374,088
Long-term prepaid expenses (Note 6)	117,912	-	117,912	96,170
Lease inducements (Note 7)	99,546	-	99,546	130,202
Capital assets (Note 8)	<u>21,888,419</u>	<u>-</u>	<u>21,888,419</u>	<u>23,001,567</u>
	<u>\$ 46,618,143</u>	<u>\$ 4,018,329</u>	<u>\$ 50,636,472</u>	<u>\$ 46,069,984</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 1,220,459	\$ -	\$ 1,220,459	\$ 1,512,038
Current portion of long-term debt (Note 10)	428,000	-	428,000	345,000
Deferred licensing revenue	7,717,675	-	7,717,675	7,210,775
	<u>9,366,134</u>	<u>-</u>	<u>9,366,134</u>	<u>9,067,813</u>
Long-term debt (Note 10)	13,384,962	-	13,384,962	13,809,362
Assurance Fund Reserves (Note 2d)	-	893,230	893,230	1,272,163
	<u>22,751,096</u>	<u>893,230</u>	<u>23,644,326</u>	<u>24,149,338</u>
Commitments and contingencies (Note 11)				
<b>Net Assets</b>				
Invested in capital assets (net of related debt)	8,075,457	-	8,075,457	8,847,205
Unrestricted Council Operating Fund	9,307,090	-	9,307,090	9,788,136
Internally restricted Council General Reserve	6,484,500	-	6,484,500	484,500
Externally restricted as Assurance Fund (Note 3)	-	3,125,099	3,125,099	2,800,805
	<u>23,867,047</u>	<u>3,125,099</u>	<u>26,992,146</u>	<u>21,920,646</u>
	<u>\$ 46,618,143</u>	<u>\$ 4,018,329</u>	<u>\$ 50,636,472</u>	<u>\$ 46,069,984</u>

Approved on behalf of the Real Estate Council of Alberta:

**e-Signed by Patricia McLeod**  
2022-01-21 10:30:26:26 MST

Patricia McLeod, Board Chair

**e-Signed by Jai Parihar**  
2022-01-21 16:27:01:01 MST

Jai Parihar, Finance and Audit Committee Chair

**Real Estate Council of Alberta**  
Statement of Operations  
For the year ended September 30

	Council Operating Fund	Assurance Fund	2021	2020
<b>Restricted revenue and claims</b>				
Assessments	\$ -	\$ 180,800	\$ 180,800	\$ 100,700
Assurance Fund Reserves, net change	-	144,288	144,288	(276,358)
	<u>-</u>	<u>325,088</u>	<u>325,088</u>	<u>(175,658)</u>
<b>Revenue from operations</b>				
Licence fees	8,540,950	-	8,540,950	8,374,675
Education courses	8,130,515	-	8,130,515	4,578,675
Office building rental revenue	383,073	-	383,073	412,781
Investment income	47,310	8,988	56,298	195,095
Sundry	37,886	-	37,886	-
	<u>17,139,734</u>	<u>8,988</u>	<u>17,148,722</u>	<u>13,561,226</u>
<b>Expenses</b>				
Salaries and benefits	7,004,842	-	7,004,842	7,163,895
Amortization of capital assets	1,219,798	-	1,219,798	1,567,854
Professional services	930,318	7,510	937,828	528,991
Amortization of education course development costs	683,334	-	683,334	292,810
Long-term debt interest	539,964	-	539,964	548,836
Information systems	473,367	-	473,367	518,849
Office building net operating costs	451,011	-	451,011	519,380
Credit card fees	392,852	-	392,852	319,925
Board and Industry Councils	300,591	-	300,591	199,703
Hearings	200,567	-	200,567	194,471
Subscriptions and memberships	119,874	-	119,874	129,229
GST	78,551	375	78,926	92,260
Telephone	51,891	-	51,891	58,137
Training and development	50,370	-	50,370	67,064
Education courses	44,140	-	44,140	18,373
Supplies	29,951	-	29,951	42,953
Office equipment leases	20,105	-	20,105	20,105
Staff travel	10,297	-	10,297	36,866
Postage and courier	2,528	-	2,528	5,536
	<u>12,604,351</u>	<u>7,885</u>	<u>12,612,236</u>	<u>12,325,237</u>
Excess of revenue over expenses before other items	4,535,383	326,191	4,861,574	1,060,331
<b>Other items:</b>				
Penalties, fines and enforcement recovery	211,629	-	211,629	181,657
Unrealized loss on investments	-	-	-	(25,739)
Realized loss on investments	(908)	(795)	(1,703)	-
Loss on disposal of capital assets	-	-	-	(32,400)
Assurance fund administration	1,102	(1,102)	-	-
	<u>211,823</u>	<u>(1,897)</u>	<u>209,926</u>	<u>123,518</u>
<b>Excess of revenue over expenses</b>	<b>\$ 4,747,206</b>	<b>\$ 324,294</b>	<b>\$ 5,071,500</b>	<b>\$ 1,183,849</b>

**Real Estate Council of Alberta**  
Statement of Changes in Net Assets  
For the year ended September 30

<b>Fund Balances</b>	Invested in capital assets (net of related debt)	Unrestricted Council Operating Fund	Internally restricted Council General Reserve	Externally restricted as Assurance Fund	2021	2020
Balance, beginning of year	\$ 8,847,205	\$ 9,788,136	\$ 484,500	\$ 2,800,805	\$ 21,920,646	\$ 20,736,797
Excess (deficiency) of revenue over expenses	(1,219,798)	5,967,004	-	324,294	5,071,500	1,183,849
Transfer from development costs	27,603	(27,603)	-	-	-	-
Transfer to Council General Reserve (Note 13)	-	(6,000,000)	6,000,000	-	-	-
Purchase of capital assets, net of loss on disposal of capital assets	79,047	(79,047)	-	-	-	-
Repayment of capital asset related debt, net of deferred financing costs	341,400	(341,400)	-	-	-	-
<b>Balance, end of year</b>	<b>\$ 8,075,457</b>	<b>\$ 9,307,090</b>	<b>\$ 6,484,500</b>	<b>\$ 3,125,099</b>	<b>\$ 26,992,146</b>	<b>\$ 21,920,646</b>

**Real Estate Council of Alberta**  
Statement of Cash Flows  
For the year ended September 30

	Council Operating Fund	Assurance Fund	2021	2020
<b>Cash provided by (used for):</b>				
<b>Operating activities</b>				
Excess of revenue over expenses for the year	\$ 4,747,206	\$ 324,294	\$ 5,071,500	\$ 1,183,849
Add (deduct) for items not involving cash:				
Amortization of capital assets	1,219,798	-	1,219,798	1,567,854
Amortization of education course development costs	683,334	-	683,334	292,810
Amortization of financing costs	3,600	-	3,600	3,600
Realized or unrealized loss on investments	908	795	1,703	25,739
Loss on disposal of capital assets	-	-	-	32,400
Lease inducement	30,656	-	30,656	(99,666)
Net change in provision for Assurance Fund Reserves	-	(144,288)	(144,288)	276,358
	<u>6,685,502</u>	<u>180,801</u>	<u>6,866,303</u>	<u>3,282,944</u>
Changes in non-cash working capital balances:				
Accounts receivable and accrued interest receivable	3,479	-	3,479	(385)
Prepaid expenses	(16,839)	-	(16,839)	(12,798)
Accounts payable and accrued liabilities	(288,056)	(3,523)	(291,579)	238,499
Deferred licensing revenue	506,900	-	506,900	(91,375)
Payments from Assurance Fund Reserves	-	(234,645)	(234,645)	(101,358)
Due from/(to) funds	128	(128)	-	-
Net change in long-term prepaid expenses	(21,742)	-	(21,742)	5,722
<b>Cash provided by (used for) operating activities</b>	<u>6,869,372</u>	<u>(57,495)</u>	<u>6,811,877</u>	<u>3,321,249</u>
<b>Investing activities</b>				
Redemption (purchase) of short-term investments (net)	6,698,453	4,020,399	10,718,852	(85,701)
Investment in education course and examination development	(368,890)	-	(368,890)	(799,633)
Investment in systems project development	(27,741)	-	(27,741)	(382,371)
Purchase of capital assets	(79,047)	-	(79,047)	(73,423)
<b>Cash provided by (used for) investing activities</b>	<u>6,222,775</u>	<u>4,020,399</u>	<u>10,243,174</u>	<u>(1,341,128)</u>
<b>Financing activities</b>				
Repayment of long-term debt	(345,000)	-	(345,000)	(258,000)
<b>Increase in cash and equivalents</b>	<u>12,747,147</u>	<u>3,962,904</u>	<u>16,710,051</u>	<u>1,722,121</u>
<b>Cash and equivalents, beginning of year</b>	<u>10,279,611</u>	<u>55,297</u>	<u>10,334,908</u>	<u>8,612,787</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 23,026,758</u>	<u>\$ 4,018,201</u>	<u>\$ 27,044,959</u>	<u>\$ 10,334,908</u>

## 1. Nature of operations

---

The Real Estate Council of Alberta (RECA) is a not-for profit organization established as a corporation under the *Real Estate Act* (the "Act"). The purposes of the RECA, its Board, and its Industry Councils, as defined by the *Real Estate Act* as of September 30, 2021 are:

- (a) To set and enforce standards of conduct for real estate brokers, mortgage brokers, property managers and condominium managers, and the business of licensees in Alberta, in order to promote the integrity of the industry and to protect consumers. (Industry Councils)
- (b) to protect against, investigate, detect and suppress fraud as it relates to the business of licensees and to protect consumers; (Board)
- (c) to provide, or support the provision of, services and other things that facilitate the business of licensees, as provided for in the regulations; (Board)
- (d) to administer this Act as provided in this Act, the regulations, the bylaws and the rules. (Board)
- (e) To administer the Real Estate Assurance Fund (the "Assurance Fund"), the purpose of which is to pay any unsatisfied judgments obtained against a licenced brokerage, a broker, an associate broker or an agent of a licenced brokerage based on a finding of fraud or breach of trust in respect to a trade in real estate or a dealing in mortgages. For real estate transactions, the maximum claim is \$35,000 per applicant and \$350,000 in aggregate per industry member. For deals in mortgages, the maximum claim is \$25,000 per applicant and \$100,000 in aggregate per industry member. (Board)

The *Real Estate Act* was heavily amended by the *Real Estate Amendment Act, 2020*, which was proclaimed on December 1, 2020 and altered the governance structure of RECA. The amendments included the creation of a Board of Directors that sets the strategic direction for the Council, and four, sector-specific Industry Councils that set the licensing and education standards, and the standards of practice for their respective sectors. In the leadup to the passing of these amendments, RECA was governed by a government-appointed Administrator from November 8, 2019 until December 10, 2020.

The original Act was proclaimed on July 1, 1996, at which time RECA became fully operational and responsible for the regulation of the real estate and mortgage broker industries in Alberta. At that time, responsibility for the functions, and the assets, liabilities and surplus of the Real Estate Licensing Committee of the Alberta Real Estate Association ("AREA") and the Assurance Fund were acquired. On October 1, 2004, amendments to the Act were proclaimed in order to include real estate appraisers to the licensing and regulatory responsibilities of the Council. The amendments made on December 1, 2020 removed real estate appraisers from the Act, and added condominium managers as a licensed activity.

The Council is a public body performing a function of government in Canada for the purposes of paragraph 149(1)(c) of the *Income Tax Act* (Canada), and under section 149(1) of the *Income Tax Act* of Canada, is exempt from the payment of income taxes.

## **2. Significant accounting policies**

---

Management prepares the financial statements of the Council in accordance with accounting standards for not-for-profit organizations in Canada. The preparation of the financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

### **(a) Fund accounting**

The Council's financial statements are prepared on a restricted fund method of accounting.

The Council Operating Fund reports the assets, liabilities, revenues and expenses related to the setting and enforcement of standards of conduct for the real estate, mortgage broker and condominium management industries, and the administration of the rules and regulations per the Act.

The Assurance Fund reports the assets, liabilities, revenues and expenses related to the operations of the Assurance Fund. The Council is the trustee for the assets, liabilities, revenues, and expenses held within the Assurance Fund.

### **(b) Revenue recognition**

#### *i. Licence fees and Assurance Fund assessments*

Licence fees and Assurance Fund assessments are recognized as revenue in the period that relates to the term of the application. The term of an application expires on September 30<sup>th</sup> of each year. Licence fees and Assurance Fund assessments received in advance of the term of an application are recorded as deferred licensing revenue.

#### *ii. Education courses*

Education course fees are recognized as revenue when the course participant pays the course fees and the enrollment is accepted.

#### *iii. Penalties, fines, and enforcement recoveries*

Recoveries from third parties for penalties, fines and enforcement costs are recorded when amounts can be reasonably estimated, and collectability is reasonably assured. Otherwise, the recovery is recorded when received. Starting in 2021, the Council includes these amounts in Other items rather than in operating revenues to more accurately reflect their incidental nature.

#### *iv. Investment income*

Investment income is recorded as revenue when earned and recognized in the fund in which the investments are maintained.

#### *v. Office building rental income*

Office building rental income is recorded as revenue in the period in which it is earned as per the lease agreements, generally paid in equal monthly instalments in advance of the first day of each month.

### **(c) Assurance Fund reserves**

Assurance Fund reserves under s. 44(3) of the Real Estate Act Bylaws (Reserves) are set on the basis of the following:

- Receipt of a notice of the commencement of a court action in fraud or breach of trust against an industry member;
- Notification of a brokerage's failure to account for or disburse money held in trust;
- Receipt of a potentially qualifying judgment;
- Review of facts and law; and,
- Other considerations

**2. Significant accounting policies - continued**

**(c) Assurance Fund reserves - continued**

Reserves are reviewed and adjusted as required. When a Reserve is initially set, an expense is recorded in the Statement of Operations. If a Reserve is subsequently adjusted, it is recognized in the Statement of Operations. Any applications paid are adjusted against the Reserves, and any amount over or under the Reserve is adjusted in the Statement of Operations. By their nature, Reserves are estimates, are subject to measurement uncertainty, and estimate changes could affect the results of the financial statements in future periods.

	2021	2020
Reserves, beginning of year	\$1,272,163	\$1,097,163
New reserves set	147,812	428,000
Payments on applications	(234,645)	(101,358)
Release of reserves	(292,100)	(151,642)
Reserves, end of year	\$893,230	\$1,272,163

**(d) Cash and cash equivalents**

Cash and cash equivalents include all balances held at banks, held by the trustee of the investment funds, cash on hand, and all financial instruments purchased with an original maturity of 90 days or less.

**(e) Development costs**

Development costs include costs incurred for the development of education programs and system development projects in progress. Development costs for licensing programs have been amortized on a straight-line basis over their remaining useful life of the education courses, commencing in the year the program is fully developed and offered to participants. With changes to the Council's education mandate introduced by the *Real Estate Amendment Act, 2020*, amortization of licensing programs has been adjusted to complete no later than September 30, 2022. When a significant system development project is being developed, costs are recorded in development costs. When a system development project is commissioned, the development costs are transferred to capital assets and amortized on a 20% straight line basis.

**(f) Capital assets**

Capital assets are stated at cost less accumulated amortization. Amortization is recorded using rates and methods designed to amortize the cost of capital assets over their estimated useful lives as follows:

Computer hardware	33% straight line
System development	20% straight line
Office furnishings and equipment	20% straight line
Building shell	2.5% straight line
Building service systems	4% straight line
Building finishes	5% straight line
Building design and professional fees	2.5% straight line

Capital assets not available for use during the year are not amortized.

**(g) Long-lived assets held for use**

Long-lived assets held for use, consisting of buildings and equipment, are measured and amortized as described in the above accounting policy. When the Council determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

## **2. Significant accounting policies - continued**

---

### **(h) Financial instruments**

The Council recognizes its financial instruments when the Council becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions.

At initial recognition, the Council may irrevocably elect to subsequently measure any financial instrument at fair value. The Council has not made such an election during the year.

The Council subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship. The fair values of short-term investments are determined by reference to published third-party bid price quotations in an active market at year-end. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

#### **Credit risk**

Credit risk is the possibility that other parties may default on their financial obligations. In compliance with the Investment Policies for the Operating Fund and Assurance Fund, fixed income investments are in the financial obligations of governments and major financial institutions with investment grade ratings. The risk is mitigated through the use of an investment manager who is guided by the Investment Policies for the Operating Fund and Assurance Fund for short-term and long-term investments. Substantially all of the Council's cash is held at one financial institution and as such the Council is subject to the risks associated with that financial institution.

#### **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. The Council has been exposed to interest rate risk through its short-term investments. The primary objective of the Council with respect to its investments in short-term investments is to ensure security of principal amounts invested and provide a high degree of liquidity.

The Council entered into an interest swap agreement with a Canadian chartered bank effective January 31, 2018. The purpose of the swap is to hedge the interest rate risk with regards to the long-term debt based on floating interest rates (refer to Note 10). The agreement exchanges the variable interest at the lender's floating rates for a fixed rate of 3.81% as predetermined by the lender. The agreement terminates on January 31, 2043.

### **(i) Derivative financial instruments**

Derivative financial instruments are financial contracts whose value changes in response to a change in an underlying variable, such as specified interest rate, financial instrument or commodity price, or foreign exchange rate. The Council enters into derivative contracts to manage its exposure to interest rate risks associated with its long-term debt. Derivative financial instruments may be designated as hedges, provided that certain criteria are met.

## 2. Significant accounting policies - continued

---

### (i) Derivative financial instruments - continued

Derivative financial instruments may be designated for hedge accounting, provided that the Council formally documents the hedging relationship at its inception by outlining the risks being hedged along with the details of both the hedged and hedging item. The documentation identifies the specific asset, liability, or anticipated transaction being hedged, the hedging item, the risk that is being hedged, and the intended term of the hedging relationship. The Council must formally assess, at inception and over the term of the hedging relationship, whether the critical terms of the hedging and hedged item match. When the hedged item is an anticipated transaction, the Council must also assess whether it is probable that the transaction will occur at the time and amount designated. If it is determined that the critical terms of the hedged and hedging item cease to match, the hedge or hedging item cease to exist, it becomes probable that an interest bearing-asset or liability hedged with an interest rate or cross-currency interest rate swap will be prepaid, or the hedged anticipated transaction is no longer probable to occur in the amount designated or within 30 days of the maturity date of the hedging item, the Council will discontinue the application of hedge accounting.

In 2018, the Council entered into an interest rate swap to reduce the impact of fluctuating interest rates on its long-term debt. This swap agreement requires periodic exchange of the notional principal amount. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swap.

Interest on the hedged item is recognized using the effective interest method. Net amounts receivable on the hedging item adjust the interest on the hedged item in the period accrued.

### (j) Financial asset impairment

The Council assesses impairment of its financial assets measured at cost or amortized cost. An impairment of financial assets carried at cost or amortized cost is recognized in excess of revenue over expenses when the asset's carrying value exceeds the present value of estimated future cash flows discounted at the current market rate of return for similar assets.

The Council reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. Where an impairment charge is subsequently reversed, the carrying amount of the financial asset is increased to the revised recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

---

## 3. Assurance Fund

---

Council is allowed to levy assessments on industry professionals to pay compensation in respect of claims. During the year, levies for renewing real estate industry professionals and mortgage broker industry professionals were waived. New real estate registrants and mortgage broker registrants were still required to pay levy assessments for the year. The minimum fund balance to be maintained to pay claims under the Act is \$2,000,000, which was met at September 30, 2021 by a fund balance of \$3,125,099 (2020 - \$2,800,805). The excess of the fund balance over the prescribed amount is restricted and may be expended only for purposes authorized in the regulations, and with the prior written approval of the Minister of Service Alberta.

The Act allows the Council to pay administrative costs associated with the Assurance Fund from the investment income earned on the funds in the Assurance Fund. For the year ended September 30, 2021, the Council has determined the administrative expenses incurred on behalf of the Assurance Fund to be \$1,102 (2020 - \$37,254).

#### 4. Short-term investments

In March 2021, the Council liquidated its short-term investments in Canadian Treasury Bills for proceeds of \$10,718,852 and is holding these funds in its savings accounts on September 30, 2021.

The Council made this change to its investment portfolio to benefit from higher savings returns than historically low investment returns. The Council continues to monitor investment returns and will reinvest in a more managed portfolio when it is financially prudent to do so.

At the end of the prior year, the Council held short-term investments consisting of Canadian Treasury Bills with yields to maturity between 0.12% and 0.13% and maturity dates between October 29, 2020 and December 10, 2020.

#### 5. Development costs

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
System development	\$19,815	\$ -	\$19,677	\$ -
Education programs and examination development	3,352,596	2,312,629	2,983,706	1,629,295
	<b>\$3,372,411</b>	<b>\$2,312,629</b>	<b>\$3,003,383</b>	<b>\$1,629,295</b>
Net Book Value		<b>\$1,059,782</b>		<b>\$1,374,088</b>

During 2021, there was \$27,741 (2020 – \$382,371) added to system development costs and \$27,603 (2020 – \$400,716) was transferred from development costs to capital assets upon commissioning. During 2021, there was \$368,890 (2020 - \$799,633) added to Education course and examination development costs.

#### 6. Long-term prepaid expenses

On September 30, 2021, the Council has thirteen (2020 – eleven) multi-year prepaid service and maintenance agreements with information systems and other service providers. The Council also paid brokerage and legal fees associated with two tenant lease agreements, which it is amortizing to operating expense over the life of the leases. The portion attributable to the period beyond the next fiscal year of \$117,912 (2020 - \$96,170) is shown as a long-term prepaid expense.

#### 7. Lease inducements

The Council entered into lease agreements with third parties to rent space in the Council's building. The agreements include rent-free periods and stepped lease rates that increase over the life of the leases. The Council is recognizing the rental income by using an average monthly amount calculated by dividing the total rental income by the total lease term. The differences between the average monthly income and the actual lease amounts paid by the tenants is recorded as the lease inducement. The lease inducement is expected to increase during the first part of the lease terms and will then be drawn down as lease rates increase. On September 30, 2021, the lease inducements are \$99,546 (2020 - \$130,202).

## 8. Capital assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$1,544,054	\$1,369,020	\$1,465,007	\$1,159,732
System development	4,525,749	3,955,144	4,498,146	3,709,599
Office furnishings and equipment	644,064	475,115	644,064	356,770
Land	2,996,778	-	2,996,778	-
Building	20,289,878	2,312,825	20,289,878	1,666,205
	<b>\$30,000,523</b>	<b>\$8,112,104</b>	<b>\$29,893,873</b>	<b>\$6,892,306</b>
Net Book Value		<b>\$21,888,419</b>		<b>\$23,001,567</b>

During 2021, the Council transferred system development costs of \$27,603 (2020 - \$314,392) and computer hardware costs of \$nil (2020 - \$86,324) from development costs to capital assets upon commissioning.

## 9. Service contracts

The Council has a service arrangement with the Real Estate Insurance Exchange (“REIX”) to provide maintenance and updates to the real estate database, as well as ongoing and annual premium billing and collection. This contract is renewable on an annual basis.

For the current year, these services amounted to \$115,534 (2020 - \$112,228). REIX reimburses Council for the cost of these services. This reimbursement is charged against the respective expense category to which it applies in the Statement of Operations.

## 10. Long-term debt

To fund the purchase of its office building, the Council entered into a fixed rate term credit facility on January 31, 2018 with a Canadian chartered bank in the amount of \$15,050,000, utilizing an interest rate swap. The loan is repayable by consecutive monthly blended payments based on a 300-month amortization. All outstanding principal and interest is payable in full at the end of the term. No amount is eligible for prepayment.

In 2018, the Company paid financing fees to secure long-term debt in the amount of \$89,938, which was included in the cost of the debt. The financing fees are being amortized over the term of the loan. During the year, amortization of financing fees has been recorded in the amount of \$3,600 (2020 - \$3,600).

The Council designates the interest rate swap as a hedge of the interest rate risk in the 25-year floating rate debt issue. The swap matures on the maturity date of the debt and requires Council to pay 3.81%. The floating rate side of the swap exactly matches the interest payments on the debt. The net effect of the swap is to convert the exposure to floating rate to fixed rate debt to allow the Council to predict cash outflows with greater reliability.

When hedging interest rate risk, interest on the debt is recorded at the stated interest rate plus or minus amortization of transaction costs and financing fees. Net amounts receivable or payable on the interest rate swap are recognized as an adjustment to the interest expense on the debt in the period during which they accrue.

As part of the financing arrangement, the Council has access to an operating demand loan via overdraft protection, with a facility limit of \$250,000, bearing interest at the lender’s prime rate plus 0.25%. On September 30, 2021, \$nil (2020 - \$nil) was drawn against this facility.

**10. Long-term debt - continued**

The term loan and the operating demand loan via overdraft protection are secured by a collateral mortgage in the amount of \$21,500,000 over the building (Note 8) and a general security agreement. On September 30, 2021, the Council is compliant with all financial covenants, including the debt service coverage ratio.

As a result of COVID-19, the bank deferred principal payments on the facility from June 2020 to November 2020. Monthly blended payments resumed on December 1, 2020 and were increased over the remaining term in order to repay the deferred amounts.

The current portion of long-term debt of \$428,000 (2020 - \$345,000) is included in current liabilities. Anticipated requirements to meet the principal portion of long-term debt repayments are as follows:

2022 - \$428,000
2023 - \$444,000
2024 - \$462,000
2025 - \$480,000
2026 - \$498,000

---

**11. Commitments and contingencies**

**(a) Service and Equipment Commitments**

The Council entered into contractual agreements for internet, telecommunications, information technology equipment and services, and operating leases for office equipment. The future estimated payments are:

2022	872,476
2023	259,394
2024	138,932
2025	36,026
2026	1,539
	\$1,308,367

**(b) Mortgage Broker Regulators' Council of Canada (MBRCC)**

The Council shares, based on an agreed-upon cost-sharing formula, the costs incurred for the maintenance of the MBRCC Secretariat in the development of harmonizing standards and practices across jurisdictions and modernizing regulatory frameworks governing mortgage brokers across Canada. In 2021, the Council's share of these costs was \$17,200 (2020 - \$17,300).

**(c) Real Estate Regulators of Canada (RERC)**

The Council signed an agreement with a third party to fund the administrative and operational support services for RERC. The annual costs are expected to be \$20,000.

**(d) Educational Program and System Development**

The Council entered into a contract for condominium corporation governance training material development with estimated payments of \$28,500 (GST additional) in 2022.

**(e) Executive Office**

In August 2021, the Council signed an engagement letter with a consultancy to provide enterprise risk management consulting services with expected payments of \$38,700 (GST additional) in 2022. After year-end, the Council entered an agreement with another consulting firm for strategic planning facilitation services with expected fees of \$54,240 in 2022.

**(f) Hearing Panel Training**

After year-end, the Council signed an agreement with a law firm to provide regulatory training, related services, and advice with an expected fee of \$8,500 in 2022.

**11. Commitments and contingencies - continued**

---

**(g) Claims and Legal Proceedings**

The Council may from time to time be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the financial statements where required.

---

**12. Significant event**

---

In early March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. COVID-19 has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The extent of the impact of COVID-19 on the financial results of RECA will depend on future developments, including the duration or resurgence of the pandemic and related government responses, which remain uncertain.

---

**13. Internally restricted funds**

---

The Council has established a General Reserve for future operations and significant capital replacement items. The General Reserve balance has been transferred from the Council Operating Fund. As of September 30, 2021, the General Reserve balance is \$6,484,500 (2020 - \$484,500). On November 10, 2021, the Council's Board of Directors approved the transfer of \$6,000,000 to the General Reserve Fund (2020 - \$nil).

**Real Estate Council of Alberta  
Schedule of Investments (Unaudited)**

As at September 30

September 30, 2021	Effective Interest Rates	Maturity Dates	Operating Fund Market Value	Assurance Fund Market Value	Total Market Value
Canadian Treasury Bill	None	None	\$0	\$0	\$0
<b>Total Investments</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

September 30, 2020	Effective Interest Rates	Maturity Dates	Operating Fund Market Value	Assurance Fund Market Value	Total Market Value
Canadian Treasury Bill	0.12% - 0.13%	October 2020 - December 2020	\$6,699,361	\$4,021,194	\$10,720,555
<b>Total Investments</b>			<b>\$6,699,361</b>	<b>\$4,021,194</b>	<b>\$10,720,555</b>



**CONNECT WITH US**

**202, 1506 - 11 AVENUE SW**

**CALGARY, AB T3C 0M9**

**1-888-425-2754**

**INFO@RECA.CA**

**RECA.CA**