

# nova scotia real estate COMMISSION



Annual Report 2013

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# Nova Scotia Real Estate Commission

## Notice of Annual General Meeting

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NSAR Auditorium, 7 Scarfe Court, Dartmouth

April 24, 2014  
10:30 AM - 12:00 PM

### Agenda

1. Call to Order— Chairperson Dennis Richards
2. Introduction of Head Table—Dennis Richards
3. Commission Chairman's Report—Dennis Richards
4. Finance & Recovery Fund—Paul Doucet
5. Licensing Committee—Charles Pace
6. Complaint Review Committee—Robert Wambolt
7. Discipline Committee—Ashley Thomas
8. Updating the Real Estate Trading Act—Dennis Richards
9. NSREC Mandatory Forms Committee—Dennis Richards
10. Open Forum—this will be an opportunity for industry members to ask questions for the Commission's comments or to bring forward items for the Commission to consider in their upcoming discussions
11. Adjournment
12. Lunch

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# Our Commissioners



Dennis Richards  
Chairperson  
Finance Committee



Charlie Pace  
Licensing Committee



Gregg Yeadon



Paul Doucet  
Vice Chairperson  
Finance Committee  
Recovery Fund



Lisa White  
Complaint Review  
Committee



Ryan Brennan  
Discipline Committee



Robert Wambolt  
Complaint Review



John Walker  
Commercial Committee



Gary Morse



Ashley Thomas  
Discipline Committee

Name	Term	Appointment	Location	Brokerage/employer	Attendance*
Dennis Richards	April 2016	NSAR	Dartmouth	Century 21 Trident Ltd.	5/5
Charlie Pace	April 2015	NSAR	Halifax	Harbourside Realty Ltd.	5/5
Robert Wambolt	April 2014	NSAR	St. Peters	Re/Max Park Place Inc.	5/5
Lisa White	April 2016	Elected	Halifax	Evolution Real Estate Services	3/3
Paul Doucet	April 2015	Elected	Halifax	Royal LePage Atlantic	4/5
Gary Morse**	April 2014	Elected	Kentville	Royal LePage Atlantic	2/2
John Walker	May 2014	Commercial	Halifax	Colliers International	5/5
Gregg Yeadon	August 2016	Public	Dartmouth	Livingstone & Company	2/2
Ryan Brennan	December 2015	Public	Halifax	Clyde A. Paul & Associates	2/5
Ashley Thomas	September 2014	Public	Kentville	Waterbury Newton	5/5

\*The attendance record of the Commissioners serving on the Nova Scotia Real Estate Commission between January 1, 2013 and December 31, 2013. There were a total of five Commission meetings held. This column shows how many meetings each Commissioner attended and how many they were expected to attend.

\*\* Gary Morse was appointed by NSAR, as per Bylaw 221, to replace elected Commissioner Linda Smardon, who resigned in 2013.



**Dennis Richards**  
Chairperson

# Message from the Chair

Commissioners report for 2013

It is my pleasure to present the Chair's report for 2013.

After the Board of Directors elected me as Chair, we set out our agenda for the year to accomplish several objectives. The first duty is to select the chairs of the committees and then the membership of each of those committees. As you may recall from last year, all appointments to committees are for a one-year term. Committee membership selection takes in consideration several factors, including geography, years of service in the industry, compliance history and a balance of salespersons and brokers. We are very privileged to have dedicated industry members who are willing to serve on our committees and we certainly owe them our heartfelt thanks for their commitment to our industry.

Our next main objective was to organize a strategic planning session and choose a facilitator to conduct the session. We met in September and developed a plan with three strategic goals to accomplish over the next few years. The goals are to

1. Update the Real Estate Trading Act, the Regulations and the Commission Bylaw.
2. Raise entrance and performance standards of the profession.
3. Establish a communication process that effectively reaches all key audiences (internal and external)

The Board approved these goals and we are now working to achieving them; it is our hope to see at least two accomplished by this time next year.

Updating the Real Estate Trading Act and the Bylaw is a major project involving a special task force, legal counsel, and staff. We are working towards introducing the new bill in the House of Assembly in the fall of 2014.

The second strategic goal of raising entrance and performance standards involves a review of our licensing course and exams, a study of minimum-requirement issues, and an examination of ongoing courses. This goal requires the input of many industry members and we look forward to hearing more about this goal as the year moves along.

The communications goal is also well underway and with the addition of a new staff member, Communications Coordi-

nator, Sarah Hill, along with a communication audit, I am confident industry members and other stakeholders will see results before year end.

Another major project under way is a total revamp of mandatory forms. The NSREC Mandatory Forms Committee is a new committee with representation from NSAR and NSREC. The committee reports to the NSREC Board for final approval. All industry members with concerns about mandatory forms are encouraged to make their views known as soon as possible. We will hold focus groups with members of the industry and the public before the forms are made available for use.

As noted in Commission Bulletins, a number of task forces were formed to review and make recommendations involving advertising guidelines, industry partnerships and other related topics.

Last year, our Board saw three new members elected and/or appointed and I wish to thank them for their commitment. Lisa White was elected at our last annual meeting, Gregg Yeadon was appointed as a public representative last September and Gary Morse was appointed to complete the term of Linda Smardon following her resignation due to work conflicts. We also welcomed back Paul Doucet, who was re-elected for a two-year term. These new members along with our existing Commissioners have had a busy year working towards the goals and objectives as outlined above along with the ongoing work of the Board.

As much as the Board has had a busy year the real work of the Commission is completed by the staff members. Led by the Registrar, Brad Chisholm, the staff serves the Commission and the industry with great dedication and professionalism. They are working as a well-oiled team who deserve our support and appreciation.

As our industry continues to face many challenges brought about from technology, government agencies, and other stakeholders, the role of the regulator not only needs to keep pace, but in fact, must be at the forefront to ensure we fulfill our role as a protector of the public while providing value services to industry members.

# Message from the Registrar

Report for 2013



**Brad Chisholm**  
Registrar

For the past few years, we have been discussing and formulating plans to move forward into a new and improved phase in our evolution as a self-regulated industry.

In 2013, we continued to focus on education both in the traditional sense with mandatory education and compliance, and in exploring beyond traditional concepts and method. With this in mind, we are not only looking at how we approach, format, and deliver education, but also how we evaluate and measure its success on the end user—the industry member.

In September, the Commission Board of Directors engaged in two days of strategic planning sessions. These sessions lead to the development of a new five-year strategic plan, which will act as a road map for the Board, committee members, and staff of the Commission as we work towards well-defined goals.

We began work on a number of projects—including, but not limited to,

- developing new licensing exams for salespersons and brokers
- striking a task-force to review the practices and advertising of real estate teams and drafting new Bylaw for teams

- improving continuing education topics
- re-engineering real estate forms
- developing a comprehensive publications and disclosure policy
- completely redesigning the consumer publications, Practical Guides for Buyers and Sellers, which are available for purchase
- changing the reciprocity requirements for industry members licenced in other Canadian jurisdictions to comply with the Federal Agreement on Internal Trade
- seeking input from the industry for ways to improve standards and also to eliminate unnecessary requirements

Thank you to the Board of Directors for your support and vision and of course thank you to the Commission staff for their exemplary work and dedication enabling the Commission's success as an effective and progressive provincial regulator.

*The Nova Scotia Real Estate Commission is the regulator of the real estate industry, whose goal is to ensure consumer confidence through the administration of the Real Estate Trading Act and the Commission Bylaw*



**Charlie Pace**  
Harbourside Realty

# Licensing Committee

Chairperson's report for 2013

The Licensing Committee reviews and makes recommendations on all licensing issues.

The requirement for licensing applicants to provide a current criminal record check as part of the licence application came into effect on January 1, 2013. Prior to this, applicants were required to disclose if they had a criminal record, along with the nature of the offense and consent to a criminal records check as part of the application process. In a number of instances, applicants failed to report the existence of a criminal record on their applications. The requirement to provide a criminal record check at the time of licensing prevents this from occurring and also brings our requirements in line with other Canadian Jurisdictions.

The Committee made several recommendations to the Board of Directors regarding Bylaw revisions in 2013. One of the most significant changes was the elimination of the challenge exam for industry members licensed in other Canadian jurisdictions who wish to licence in Nova Scotia. The change was made to comply with labour-mobility requirements under the Federal Agreement on Internal Trade. The Committee started a comprehensive review of the Commission's licensing exams for both salesperson and broker courses in 2013. The Committee will continue this work in 2014 as new exams for both courses are developed.

The Committee also began a review of the prerequisites to licensing for both salespeople and brokers in 2013, which are very minimal under our current legislation. This work will also continue into 2014, with the adoption of new prerequisites to ensure consumer protection and professionalism in the industry.

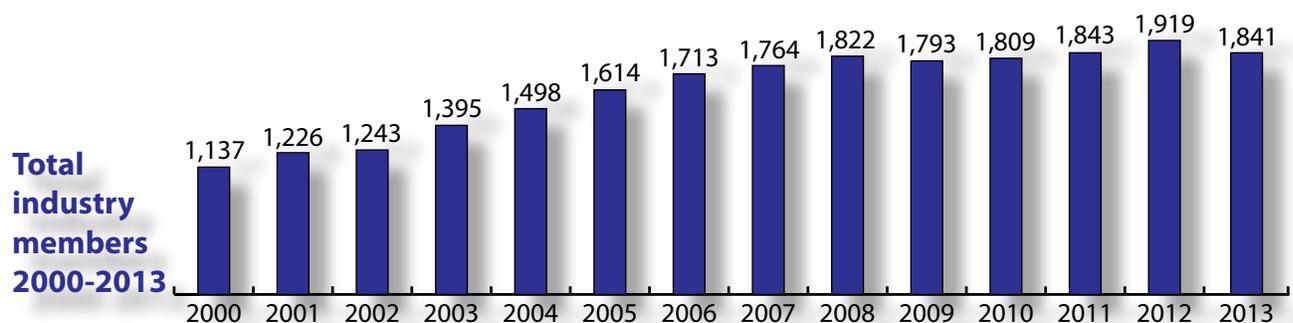
I'd like to thank all members of the Licensing Committee for their continued service. Your contributions are critical to the mandate of the Nova Scotia Real Estate Commission.

New applicants/ licence class	2011	2012	2013
Salespeople	185	225	147
Brokers/managing associate brokers	17	19	15
Associate brokers	12	13	12

Industry totals	2011	2012	2013
Offices	278	281	270
Industry members	1843	1919	1841
Brokers	213	218	209
Managing associate brokers	51	48	46
Associate brokers	89	92	99
Salespeople	1490	1561	1485
Approved sales corps.	0	93	131

## Committee Members

- Charlie Pace, Commissioner, Halifax
- Elizabeth Irwin, Member, Halifax
- Sue MacNeil, Member, Dartmouth
- David Schwartz, Member, Halifax
- Anne Thomson, Member, Liverpool
- Joanne West, Member, Dartmouth
- Kathryn Whitewood, Member, Wolfville
- Crystal Yeo, Member, Dartmouth
- Ann Parks, NSAR Education Committee
- Nicole Kreiger, NSAR Representative
- Pamela Crane, Licensing Officer



# Complaints Review Committee

Chairperson's report for 2013



**Robert Wambolt**  
Re/Max Park Place Inc.

In April 2013, I was appointed to Chair the Complaints Review Committee (CRC), replacing outgoing Chair Gordon Burns. I want to start off by thanking Gordon Burns for his dedication and service as Chair of the Committee for the past three years. The Complaints Review Committee requires a tremendous amount of reading and critical thinking, as well as extensive knowledge of the real estate industry and its regulations; in this, the Committee and the industry were very well served by Gordon.

The Complaints Review Committee consists of industry and public members tasked with reviewing all the Registrar's decisions to offer industry members settlement agreements, as well as the Registrar's decisions to dismiss complaints. The Commission investigator presents the case to the CRC, along with the evidence and the Registrar's decision. If the CRC approves the Registrar's decision on charges and sanctions, the industry member is presented with a settlement agreement. Should the CRC not approve the decision, the settlement agreement is rescinded and the Registrar may modify his decision or send the matter to hearing. The Commission follows this process every time the Registrar offers a settlement agreement or dismisses a complaint.

2013 proved to be a busy year for the CRC and the Commission's compliance team. After a low of 29 investigations were opened in 2012, 49 investigations were opened in 2013. The Commission also dealt with an increase in licence suspensions over the previous year. It is important to note the increase comes for a number of reasons. More often, brokers are being taken to task for failing to supervise the industry members licensed with the brokerage. The Registrar is also directly initiating more investigations when the information reported to him warrants it.

As I stated previously, serving on the CRC is a challenging endeavor. I want to thank the Commission compliance team and the members of the CRC for their continued hard work and dedication.

## Committee Members

Robert Wambolt, Commissioner, St. Peter's  
Peter Fraser, Member, New Glasgow  
Mary MacDonald, Member, Liverpool  
David Melvin, Public Representative, Halifax  
Charlie Pace, Commissioner, Halifax  
Bonnie Reeves, Member, Dartmouth  
Ron Stuart, Member, Lewis Lake  
Lisa White, Member, Halifax  
Peter Wyman, Member, Annapolis Royal  
Carolyn MacDonald, Compliance Manager  
Susan Best, Compliance Investigator



**Ashley Thomas**  
Waterbury Newton

# Discipline Committee

Chairperson's report for 2013

The Discipline Committee's role is to hold discipline hearings and render decisions about alleged infractions of industry members, including unprofessional conduct, and breaches of the Real Estate Trading Act, Regulations and Bylaw.

When the Commission is made aware of an alleged infraction(s) by an industry member (a "complaint"), the Commission staff investigate. A decision is made by the Registrar and based on that decision, the matter is referred to the Complaints Review Committee for review or the Discipline Committee for a hearing.

In most cases, the industry member facing disciplinary action enters into a Settlement Agreement with the Commission. For most infractions, Settlement Agreements are the quickest and simplest way to resolve the issue, from both the industry member's and the Commission's point of view.

If settlement negotiations fail, the Discipline Committee becomes involved. The matter is referred for a discipline hearing. A Hearing Panel consisting of three Discipline Committee members hears the evidence from the industry member and the Commission, and renders a written decision about whether or not the industry member has committed the alleged infractions.

If the industry member is found to have committed an infraction, both parties have the opportunity to make submissions about the appropriate sanctions and costs to be awarded against the industry member. The Hearing Panel has broad authority as outlined in Section 19 of the Real Estate Trading Act.

An industry member has the right to appeal the decision of the Hearing Panel to the Nova Scotia Court of Appeal within 25 days of the Hearing Panel's written decision.

In 2013, one discipline hearing was held. The Hearing Panel found that the industry member breached Articles 2, 11, 25 and 35 of By-law 702. The industry member was ordered to pay fines totaling \$1,400.00 and hearing costs of \$3,500.00.

Likewise, there was only one hearing in 2012. I consider the few hearings to be positive, as it suggests that complaints against industry members are being resolved at the Commission staff investigation stage or at the Complaint Review stage.

This year, I will be working with the Discipline Committee to review and approve a template for decision making, and provide additional guidance for panel members. Our goal is to ensure that we are hearing complaints using a fair and transparent process.

I am in my third and final year as a government appointed Commissioner and, unless I am reappointed in the fall, this will be my final report as the Discipline Committee Chair, and as an NSREC Commissioner. It has been a pleasure sitting around the table over the last two and a half years.

## Committee Members

Ashley Thomas, Commissioner, Kentville

Carol Alexander, Member, Chester

Ryan Brennan, Commissioner, Halifax

Don Clark, Member, Dartmouth

Al Demings, Member, Dartmouth

Susan Green, Member, New Glasgow

Brian Hirtle, Member, Kentville

Mike Arthur, Member, Halifax

Brad Chisholm, Registrar

# Commercial Committee

## Chairperson report for 2013



**John Walker**  
Colliers International

I would like to take this opportunity to thank the Commercial Committee for its support over the last year, and also to welcome fellow commercial practitioner, Bill MacAvoy, to the Commission Board of Directors.

Again this year, our annual Commercial Forum was well attended. Thank you to the presenters for their well organized and informative presentations.

This is my final report as Chair of the Commercial Committee, and as a member of the Commission's Board of Directors. I was first appointed to the Board in 2004 to represent the commercial community in a non-voting capacity. In 2011, changes to the Act included formalizing the commercial representative's role on the Board of Directors and granting the commercial representative a vote. I would like to thank my Board of Directors colleagues, past and present, and staff for their commitment and dedication to the Commission. Both play an integral role in the success of this organization, and I am proud to have been a part of it.

### Committee Members

John Walker, Commissioner, Halifax  
Tom Carpenter, Member, Dartmouth  
Bill Greenwood, Member, Halifax  
Bill MacAvoy, Member, Halifax  
Kenzie MacDonald, Member, Halifax  
Tim Margolian, Member, Halifax  
Robert Mussett, Member, Halifax  
Greg Taylor, Member, Halifax  
Brad Chisholm, Registrar

# Finance Committee

## Chairperson's report for 2013



**Paul Doucet**  
Royal LePage Atlantic

**2013 Results**—In 2013, the Commission's financial position remained solid. Retention rates for nearly all licence categories came in at or above what was anticipated. This offset a slight decline in the new salesperson licensing category. The end result was stable revenues. Operating expenses were and continue to be closely monitored by both the Finance Committee and management.

In September, the Commission Board of Directors embarked upon a long term strategic planning session. The meetings included board members, staff and a consultant facilitator. This investment will realize ongoing benefits for both the consumer and the real estate industry as we implement our strategic three year plan.

**2014 Budget**—Part of implementing the 2013 strategic plan meant the Commission moved forward to hire a new staff person for the position of Communications Coordinator. Their role will be to assist with devising and implementing a new communications plan. This will include research and development for a number of communications platforms, one of which is an anticipated new user friendly website to better assist industry members with day-to-day issues.

This is an ambitious but valuable direction taken by the Commission, so in consideration of the resources required, it was decided to authorize a \$60.00 fee increase on all licence categories. There has not been a fee increase in several years and given the anticipated benefits to come for public and industry members, the Commission felt this fee increase was unquestionably warranted.

We believe licensing levels will remain stable in 2014 meaning revenues and respective expenses will behave similarly.

### Committee Members

Paul Doucet, Commissioner, Bedford  
Charlie Pace, Commissioner, Halifax  
Dennis Richards, Commissioner, Dartmouth  
Brad Chisholm, Registrar

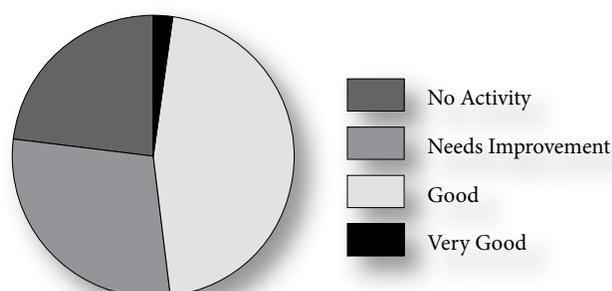
# Audits and investigations

## Compliance report for 2013

### Audits

The Commission compliance team conducts yearly trust audits on each brokerage in Nova Scotia. In addition to the trust audits, each brokerage is subject to a brokerage audit every three years. The brokerage audit comprises an in-depth review of the brokerage's transaction files and records management. In 2013, we conducted 85 brokerage audits and 221 trust account audits. The results of these audits are categorized as follows:

Compliance Audits 2013



In addition to the activities above, the Commission auditors completed an additional seven audits resulting from a change of broker, a brokerage closing, or a spot audit.

The trust and brokerage audits ensure brokerages comply with the standards and procedures for trust accounts and record keeping, which in turn protects the best interests of the public. The audits also help the Commission identify problem trends in the industry, which can then be addressed through continuing education courses and/or industry bulletins. While the Commission's approach to audits factors heavily on education and correction, brokers need to be aware that there are repercussions for failing to comply with trust account and records management requirements. Any brokerage that receives three consecutive "Needs Improvement" audits is subject to disciplinary action. In 2013, the Commission charged 11 brokers on these grounds. Seven brokers received \$500 fines, three brokers received a \$1,000 fine and one broker's licence was restricted to a salesperson licence. The fines for non-compliance begin at \$500.00, but increase with each offense and can, in more extreme situations, result in licence cancellation.

### Investigation summary

Month	Number of investigations opened			
	2013	2012	2011	2010
Jan	1	2	0	0
Feb	0	5	5	1
Mar	1	0	2	4
Apr	9	2	3	2
May	0	0	3	5
Jun	6	6	2	1
Jul	9	2	6	2
Aug	3	6	5	5
Sep	4	2	6	2
Oct	5	3	3	2
Nov	6	1	3	2
Dec	6	0	0	2
<b>Total</b>	<b>49</b>	<b>29</b>	<b>38</b>	<b>28</b>

### Investigation status

Origin of 2013 investigations	
Public	36
Registrar and industry	13
2013 investigation status summary	
Outstanding investigations from 2012	16
New cases initiated in 2013	49
Closed (investigated and presented)	36
Outstanding as of December 31, 2013	29
Dismissed complaints	5
Hearings	
2012 hearings held in 2013	1
2013 hearings scheduled in 2013	0
Suspensions	
2013 licence suspensions	4

## About investigations

What should I do if I receive notification that I am under investigation, or if I am asked to cooperate in an investigation?

1. Cooperate. Not only does the Bylaw obligate industry members to cooperate in an investigation (Bylaw 702 article 31 and Bylaw 809 and 810), it is the right thing to do. As a profession with the privilege of self-regulation, the discipline process is crucial. Participation in this process is integral to self-regulation and promotes the overall integrity of the industry.
2. Discuss the complaint with your broker and take some time to gather your thoughts and documentation. The Commission also recommends you discuss the complaint with your lawyer.
3. Prepare a thorough response to the allegations in the complaint. Your response must substantively address the allegations.
4. Do not attempt to change history. In other words, be truthful. Attempting to mislead the investigator may result in a charge for violating Bylaw 816, which states: “No industry member shall make or permit to be made any false or misleading statement in any investigational information required to be furnished under the Act, its Regulations or the Bylaw.” This is considered a serious charge.
5. Maintain your professionalism. Don’t forget, your response will be read by the complainant, the Commission investigator, the Registrar, the Complaints Review Committee (which includes your industry peers and public members), and perhaps a discipline panel, lawyers, and the Nova Scotia Court of Appeal. This is your opportunity to tell your side of the story. Being respectful and professional will go a long way.
6. Respond in the allocated time-frame, or ask for an extension in writing.

## Overview of 2013 charges and penalties

Bylaw	Offence	Salesperson penalty (\$)	Broker penalty (\$)
621	Missing documentation		500
625	Deposit not received per APS		750
720/721	Failing in duties under transaction brokerage	400–750 + course	
816	Misleading the Commission during an investigation	750	
702(2)	Not in client's interests	400–750	500
702(3)	Improper disclosure of agency	400–500	
702(11)	Poor paperwork/verbal agreements	400–750	500 + course
702(12)	Improper presentation of offers/multiple offers	500	
702(21)	Failure to disclose relationships	400	
702(28)	Interfering with others' clients	500	500
702(34)	Creating false statements	750	
702(35)	Unprofessional conduct	500	
704	Broker supervision/record keeping/unlicensed trading		500–2,000
708	Advertising an unlicensed person		
Act	Offence	Salesperson penalty (\$)	Broker penalty (\$)
Section 22	Unprofessional conduct	500 – 10,000 + suspension	1,000 – 15,000 + suspension, licence restriction
Section 4(1)	Unlicensed trading	500 – 750	750

## Recovery Fund

### Report for 2013

The Recovery Fund was created to protect consumers when they suffer a financial loss due to fraud or breach of trust by an industry member. The provincial government requires the Commission to maintain a minimum balance of \$300,000 in the Fund. Any monies in excess of that amount may be used for a variety of other purposes, such as public and professional education relating to the real estate industry, reform of the industry, promoting standardization and supporting just and desirable legislation affecting the industry.

There were no claims against the Recovery Fund in 2013, and Recovery Fund fees will remain the same in 2014.

From an investment perspective, the Nova Scotia Real Estate Commission Recovery Fund was and remains a very defensively positioned portfolio invested primarily in fixed income (bonds). The portfolio is diversified with active domestic and global fixed income managers in corporate and government bonds.

In 2013, Ben Bernanke, the Chairman of the US Federal Reserve announced his intention to taper the monthly purchases of U.S. Treasuries and Mortgages. That announcement caused government and corporate bond yield to spike higher creating downward pressure on bond prices. This was the largest increase in government yields and decrease in government bonds prices as a percentage since 1994. This negative environment for bonds was largely responsible for the -1.19 per cent return for the fund in 2013.

In the first three months of 2014, the fund has recovered 1.92 per cent year to date with an annualized return of 7.92%. We continue to believe the portfolio is approximately positioned to create the returns required by the fund with the least amount of volatility.

Typically, the Recovery Fund has provided a grant to NSAR's Education Department. This year a grant of \$25,000 was given. The education grant from the Commission subsidizes course development costs, which helps keep licensing and continuing-education costs reasonable for the people taking the courses.

## Commissioner by acclamation

### One nominee for 2014

The Commission received one nomination for the 2014 Commissioner election. As a result, nominee Gary Morse, is elected Commissioner by acclamation effective May 1, 2014.

**Nominee:** Gary Morse

**Brokerage:** Royal LePage Atlantic

**Type of licence:** Managing Associate Broker

**Years licensed:** 20

**Real estate practiced:** Residential

**Degrees or designations held:** N/A

**Director or committee experience:** Past President, Annapolis Valley Real Estate Board; Past President, Nova Scotia Association of REALTORS®; Past President, Canadian Real Estate Association; Past President, Eastern Kings Chamber of Commerce; President (current), Rotary Club of New Minas; Director (current), Kentville Development Corporation; and member of numerous committees over a number of years.

**Other experience:** Accountant; Contractor; REALTOR®; Broker.

### Committee Members

Paul Doucet, Commissioner, Halifax

John MacKay, Member, Wolfville

Mike Clayton, Member, Yarmouth

*Financial Statements of*

**NOVA SCOTIA REAL ESTATE COMMISSION**

*December 31, 2013*

# Andrew M. Campbell Chartered Accountant

143-27 Brookdale Crescent  
Dartmouth NS B3A 4N5  
Tel: (902) 717-5390  
andcampbell@eastlink.ca

## Independent Auditor's Report

To the Board of Directors of the  
Nova Scotia Real Estate Commission

I have audited the accompanying financial statements of the Nova Scotia Real Estate Commission, which comprise the balance sheet as at December 31, 2013 and the statements of revenue and expenses and net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

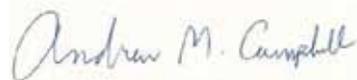
I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nova Scotia Real Estate Commission as at December 31, 2013, 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.

### *Other Matter*

The financial statements of the Nova Scotia Real Estate Commission, for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2013.



Chartered Accountant  
Dartmouth, Nova Scotia  
March 28, 2014

**NOVA SCOTIA REAL ESTATE COMMISSION**  
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December 31, 2013

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# NOVA SCOTIA REAL ESTATE COMMISSION

## Balance Sheet

As at December 31, 2013

	<u>2013</u>	<u>2012</u>
		(restated - Note 9)
<b>ASSETS</b>		
Current		
Cash		
- Unrestricted	\$ 63,594	\$ 554,258
- Restricted	18,456	1,367
Short term investments		
- Unrestricted	708,383	13,090
- Restricted	111,254	146,194
Accounts receivable	18,455	7,000
Accrued interest receivable	1,015	1,015
Prepaid expenses	5,966	3,521
Inventory - manuals and guides	4,009	1,129
	<u>931,132</u>	<u>727,574</u>
Long term investments	154,048	282,854
Recovery Fund investments (cost - 2013 - \$548,226; 2012 - \$559,229) (Note 3)	544,196	551,315
Capital assets (Note 4)	25,730	28,252
	<u>\$ 1,655,106</u>	<u>\$ 1,589,995</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 51,165	\$ 54,455
Due to Nova Scotia Association of Realtors	3,330	3,502
Funds held in trust	129,710	147,561
Deferred revenue	360,113	355,845
	<u>544,318</u>	<u>561,363</u>
<b>NET ASSETS</b>		
Reserve Fund (Note 5)	131,643	66,643
Recovery Fund (Notes 5 & 6) (Schedule 1)	544,196	551,315
General Fund (Note 5)	434,949	410,674
	<u>1,110,788</u>	<u>1,028,632</u>
	<u>\$ 1,655,106</u>	<u>\$ 1,589,995</u>

**NOVA SCOTIA REAL ESTATE COMMISSION**  
**Statement of Revenue and Expenses and Net Assets**  
Year ended December 31, 2013

	2013	2012 (restated - Note 9)
Revenue		
Recovery Fund		
Assessment income	\$ 58,708	\$ 66,242
Investment (loss) income	(3,413)	30,875
Unrealized gain (loss) on investments	3,884	(1,914)
	<b>59,179</b>	<b>95,203</b>
General Fund		
Licensing fees	746,240	761,780
Examination fees	26,050	32,360
Fines and penalties	67,550	40,250
Reinstatement of license	18,620	16,290
Hearing and investigation recoveries	10,514	10,700
Other fees	17,491	13,029
Lapsed trust funds	31,955	230,761
Investment income	20,933	20,201
	<b>939,353</b>	<b>1,125,371</b>
	<b>998,532</b>	<b>1,220,574</b>
Expenses		
Advertising	861	1,544
AGM and conference	1,284	4,514
Amortization	6,513	11,525
Bad debts	5,650	2,950
Bank service charges	20,415	17,197
Conferences	21,971	9,334
Directors and Committee member fees	26,850	22,950
Grant to education by Recovery Fund	25,000	25,000
Hearing and investigation costs	15,035	19,161
Insurance	2,028	2,021
Long range strategic planning	19,609	-
Miscellaneous	7,404	9,281
Office	29,569	29,926
Professional fees	72,728	22,468
Rent, cleaning and utilities	78,200	77,373
Salaries and employee benefits	520,499	485,702
SPL and BM exams	6,240	7,154
Staff travel and training	22,949	25,659
Telecommunications	11,176	9,482
Travel and meetings	12,695	15,855
Website maintenance	9,700	26,960
	<b>916,376</b>	<b>826,056</b>
Excess of revenue over expenses	82,156	394,518
Net assets, beginning of year	1,028,632	634,114
Net assets, end of year	\$ 1,110,788	\$ 1,028,632

**NOVA SCOTIA REAL ESTATE COMMISSION**  
**Statement of Cash Flows**  
Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
		(restated - Note 9)
<b>NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
Operating activities		
Excess of revenue over expenses	\$ 82,156	\$ 394,518
Items not affecting cash		
Amortization	6,513	11,525
Unrealized (gain) loss on investments	(3,884)	1,914
Changes in non-cash operating working capital items	(33,825)	115,223
	<u>50,960</u>	<u>523,180</u>
Investing activities		
Disposal (purchase) of Recovery Fund investments (net)	11,003	(420,667)
Purchase of capital assets	(3,991)	(434)
Increase in unrestricted short and long term investments	(566,487)	(231,500)
Decrease (Increase) in restricted cash and short term investments	17,851	(99,288)
	<u>(541,624)</u>	<u>(751,889)</u>
<b>NET CHANGE IN CASH</b>	<b>(490,664)</b>	<b>(228,709)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>554,258</b>	<b>782,967</b>
<b>CASH, END OF YEAR</b>	<b>\$ 63,594</b>	<b>\$ 554,258</b>

# NOVA SCOTIA REAL ESTATE COMMISSION

## Notes to the Financial Statements

December 31, 2013

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### 1. DESCRIPTION OF BUSINESS

The Nova Scotia Real Estate Commission (the "Commission") was established by the Province of Nova Scotia Bill No. 31 assented to December 20, 1996. Bill 31 is an Act to Provide for Regulation of Trading in Real Estate in Nova Scotia.

Included in these financial statements are the transactions of the Nova Scotia Real Estate Recovery Fund, which is administered and supervised by the Commission. The purpose of the Fund is to provide a self-insurance fund for licensed members in the Nova Scotia real estate industry within limits outlined in Note 6.

### 2. ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

#### *Cash*

Cash is comprised of cash on deposit with financial institutions.

#### *Short term investments*

Short term investments is comprised of amounts on deposit with financial institutions with maturities that exceed three months at the date of acquisition.

#### *Long term investments*

Long term investments is comprised of non-redeemable amounts on deposit with financial institutions with maturities that exceed twelve months from the balance sheet date.

#### *Financial instruments*

The Commission initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost, except for Recovery Fund investments which are measured at fair value at the balance sheet date.

Investment income earned on short term investments and Recover Fund investments is recognized as revenue in the statement of revenue and expenses.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method.

With respect to financial assets measured at cost or amortized cost, the Commission recognizes in excess of revenue over expenses an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the period the reversal occurs.

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# NOVA SCOTIA REAL ESTATE COMMISSION

## Notes to the Financial Statements

December 31, 2013

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### 2. ACCOUNTING POLICIES (continued)

#### *Capital assets*

Capital assets are recorded at cost and amortized over their estimated lives using the straight-line method at the following annual rates. Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value of the asset exceeds its fair value at the date of impairment.

Furniture and equipment	10%
Computers	25%
Software	50%

#### *Recovery Fund Investments*

Investments are recorded at fair value. The fair value is determined using closing published price quotations in an active market.

#### *Revenue recognition*

The Commission follows the deferral method of accounting for contributions. The Commission's revenue is derived primarily from the assessment of fees which are recognized on a monthly basis as earned. Deferred revenue represents the unearned portion of fees billed. Lapsed trust fund revenue is recognized when funds held in trust exceed six years from the date originally deposited to a brokerage trust account. Other revenues are recognized when persuasive evidence of an arrangement exists, service has occurred, the price to the buyer is fixed and collection is reasonably assured.

#### *Use of estimates*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Significant financial statement items that require the use of estimates are as follows: amortization of capital assets, deferred revenue, accrued liabilities, and the allowance for doubtful accounts. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of revenue and expenses in the year they become known.

**NOVA SCOTIA REAL ESTATE COMMISSION**  
**Notes to the Financial Statements**  
December 31, 2013

**3. RECOVERY FUND INVESTMENTS**

The recovery fund investments are comprised of mutual funds as follows:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Fixed income funds	\$ 539,630	\$ 543,190	\$ 176,887	\$ 179,552
Equity funds	-	-	26,595	25,094
Mixed funds	4,566	5,036	347,833	354,583
	<b>\$ 544,196</b>	<b>\$ 548,226</b>	<b>\$ 551,315</b>	<b>\$ 559,229</b>

**4. CAPITAL ASSETS**

	2013			2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computers	\$ 42,456	\$ 38,364	\$ 4,092	\$ 6,902
Furniture and equipment	78,874	57,521	21,353	21,350
Software	24,405	24,120	285	-
	<b>\$ 145,735</b>	<b>\$ 120,005</b>	<b>\$ 25,730</b>	<b>\$ 28,252</b>

**5. NET ASSETS**

	General Fund	Recovery Fund	Reserve Fund	2013	2012
					(restated - Note 9)
Balance, beginning of year	\$ 410,674	\$ 551,315	\$ 66,643	\$ 1,028,632	\$ 634,114
Excess of revenue over expenses	106,685	(24,529)		82,156	394,518
Transfer from (to) General Fund	(82,410)	17,410	65,000	-	-
Balance, end of year	<b>\$ 434,949</b>	<b>\$ 544,196</b>	<b>\$ 131,643</b>	<b>\$ 1,110,788</b>	<b>\$ 1,028,632</b>

The Reserve Fund has been established by the Commission as a contingency fund for future unexpected expenditures. Transfers to the Reserve Fund are approved by the Board.

The Recovery Fund balance, end of year, includes an accumulated unrealized loss on investments of \$4,030 (2012 - \$7,914).

# NOVA SCOTIA REAL ESTATE COMMISSION

## Notes to the Financial Statements

December 31, 2013

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### 6. NOVA SCOTIA REAL ESTATE RECOVERY FUND

The Recovery Fund exceeds the required minimum amount of \$300,000 in cash and investments, and no longer carries insurance for indemnification purposes. Under the regulations, the maximum amount that may be paid from the Recovery Fund arising from a single real estate transaction is:

- a) \$25,000 to any claimant for a claim against a salesperson;
- b) \$50,000 to any claimant for a claim against a broker or manager; and
- c) a total of \$100,000 if there is more than one claim against a brokerage.

### 7. SHARED EXPENSES

The Commission occupies space in the Nova Scotia Association of Realtors building under a lease agreement between the Nova Scotia Association of Realtors and the Commission. The Commission is charged based upon space utilization. The Commission also shares the lease costs for the postage machine, as well as other certain common expenditures that are prorated on a reasonable basis. These financial statements include only the portion allocated to the Commission.

### 8. FINANCIAL INSTRUMENTS

#### *Fair value*

The fair value of cash, short and long term investments, accounts receivable, accrued interest receivable, due to Nova Scotia Association of Realtors, and accounts payable and accrued liabilities approximates their carrying value due to their relative short-term nature. Recovery Fund investments are recorded at fair value.

#### *Market risk*

This is the risk that the Commission's investments will fluctuate as a result of changes in market price. The Commission manages this risk by maintaining a diversified portfolio.

#### *Credit risk*

The Commission performs an evaluation of accounts receivable and records an allowance for doubtful accounts as required. Management considers there to be no significant credit risk as at December 31, 2013.

#### *Liquidity risk*

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they become due. The Commission is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs. Given the Commission's currently available liquid resources, as compared to its contractual obligations, management assesses the Commission's liquidity risk to be low.

# NOVA SCOTIA REAL ESTATE COMMISSION

## Notes to the Financial Statements

December 31, 2013

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### 9. CORRECTION OF PRIOR YEAR FINANCIAL STATEMENTS

Management has determined that certain funds collected during 2012 and considered as held in trust should be recognized as 2012 revenue in accordance with Section 32 (7) of the Nova Scotia Real Estate Trading Act. Consequently, lapsed trust funds revenue, the excess of revenue over expenses, and net assets, end of year have each increased by \$230,761. The funds held in trust liability and restricted short term investments have both decreased accordingly.

Management has also determined that amounts on deposit with financial institutions with maturities that exceed three months at the date of acquisition should be classified as either short or long term investments based on individual terms rather than as a component of cash and cash equivalents, as disclosed in the balance sheet.

### 10. CAPITAL MANAGEMENT

The Commission's objective when managing capital is to maintain a capital structure that provides financial flexibility in order to preserve its ability to meet financial obligations.

In managing its capital structure, the Commission monitors performance throughout the year to ensure working capital requirements are funded from operations. The Commission will make adjustments to its capital structure to meet the objectives of the broader strategy or in response to changes in economic conditions and risk.

### 11. COMMITMENTS

In 2010, the Commission entered into a lease agreement for office equipment that expires December 31, 2014. Total lease payments for 2014 will be \$6,900.

In 2011, the Commission entered into a new lease agreement for office space that expires April 30, 2016 and has monthly lease payments of \$6,473.

During the current year, the Commission entered into a lease agreement for office equipment that expires December 31, 2018 and has quarterly lease payments of \$1,613.

### 12. COMPARATIVE FIGURES

Certain of the 2012 comparative figures have been reclassified to conform with the current year's presentation.

**NOVA SCOTIA REAL ESTATE COMMISSION**  
**Schedule of Recovery Fund Transactions**  
Year ended December 31, 2013

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	<u>2013</u>	<u>2012</u>
Net assets, beginning of year	\$ 551,315	\$ 528,380
Revenue	59,179	95,203
Grant to Education Fund	(25,000)	(25,000)
Transfers to Recovery Fund	17,410	18,974
Transfer to Commission - administration	(58,708)	(66,242)
Net assets, end of year	<b>\$ 544,196</b>	<b>\$ 551,315</b>

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# Budget 2014

<b>Revenue</b>		
<b>Recovery Fund</b>	Assessment income	\$60,000
	Investment (loss) income	15,000
	Unrealized gain (loss) on investments	-
		<b>75,000</b>
<b>General Fund</b>	Licensing fees	784,020
	Examination fees	20,000
	Fines and penalties	30,000
	Reinstatement of license	14,800
	Hearing and investigation recoveries	6,000
	Other fees	12,550
	Lapsed trust funds	-
	Investment income	18,000
		<b>885,370</b>
<b>Total Revenue</b>		<b>960,370</b>
<b>Expenses</b>		
	Advertising	1,200
	AGM and conference	4,500
	Amortization	6,000
	Bad debts	-
	Bank service charges	27,000
	Conferences	6,200
	Directors and Committee member fees	35,150
	Grant to education by Recovery Fund	25,000
	Hearing and investigation costs	6,000
	Insurance	2,450
	Miscellaneous	6,600
	Office	37,500
	Professional fees	37,000
	Rent, cleaning and utilities	79,000
	Salaries and employee benefits	616,150
	SPL and BM exams	6,500
	Staff travel and training	19,800
	Telecommunications	8,000
	Travel and meetings	15,000
	Website maintenance	8,000
		<b>947,050</b>
<b>Excess of revenue over expenses</b>		<b>13,320</b>

# Got a question? Contact us

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The Nova Scotia Real Estate Commission is the regulator of the real estate industry, whose goal is to ensure consumer confidence through the administration of the Real Estate Trading Act and the Commission Bylaw.