



nova scotia real estate
COMMISSION



Annual Report 2017

Nova Scotia Real Estate Commission

Notice of Annual General Meeting

Auditorium, 7 Scarfe Court, Dartmouth

April 26, 2018
10:00 AM- 12:00 PM

Agenda

1. Call to Order— Gary Morse, Chairperson
2. Introduction of Head Table—Gary Morse
3. Chairperson's Report—Gary Morse
4. Licensing Committee—Gary Mailman
5. Complaints Review Committee—Mary MacDonald
6. Discipline Committee—Bill McMullin
7. Commercial Committee—Bill MacAvoy
8. Mandatory Forms Committee—Dennis Richards
9. Finance Committee—Bill MacAvoy
10. Recovery Fund—Anthony Brown
11. Election results—Gary Morse
12. Open Forum
13. Adjournment

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Our Board of Directors



Front: Gary Mailman, Clinton Wilkins (2018 government appointee), Linda Smardon, Bill McMullin, Nancy McGrath, Carol Beal, Anthony Brown, Bill MacAvoy, Gary Morse. Absent: Brad Chisholm, Jessica May, Mary MacDonald

Name	Term	Appointment type	Location	Brokerage/organization	Attendance*
Linda Smardon	April 2020	NSAR	Dartmouth	Exit Realty Metro	2/2
Bill McMullin	April 2019	NSAR	Bedford	Viewpoint Realty Services Inc.	5/5
Mary MacDonald	April 2018	NSAR	Liverpool	Walt MacDonald Real Estate Ltd.	5/5
Gary Morse	April 2020	Elected	Kentville	Royal LePage Atlantic	5/5
Gary Mailman	April 2019	Elected	Bridgewater	Exit Realty Inter Lake	5/5
Anthony Brown	April 2018	Elected	Dartmouth	Royal LePage Atlantic	4/5
Bill MacAvoy	May 2020	Commercial	Halifax	Commercial Eastern Inc. DBA Cushman & Wakefield Atlantic	4/5
Nancy McGrath	April 2020	Public	Bridgetown		2/2
Carol Beal	April 2019	Public	Halifax		2/2
Jessica May	December 2017	Public	Truro	Kaulback May	5/5

*The attendance record of the Commissioners serving on the Nova Scotia Real Estate Commission between January 1, 2017 and December 31, 2017. There were a total of five Commission meetings held.



Gary Morse
Royal LePage Atlantic

Message from the Chair

Report for 2017

On behalf of the Board of Directors, I'm pleased to offer this overview of the past year.

A project that has been underway for almost three years has culminated in a complete overhaul of the forms used by the real estate industry in Nova Scotia. The primary focus in the past year has been the Agreement of Purchase and Sale and all related forms. The result is a set of forms that are clear, concise, about half the length of what they were, and with a significant reduction in the number of initials required. Initial feedback indicates the new forms are well received by the real estate community. Thank you to the Forms Committee for a job well done.

Another project that neared completion in 2017 is the review and complete overhaul of the audit process. The Task Force report and recommendations will be going to the Board of Directors in early 2018. This has been an intensive eighteen-month exercise. The result of this work is expected to be a new audit program that will bring clarity, transparency and objectivity to a process that is required of a regulatory body as part of its mandate to protect consumers and ensure confidence in the real estate industry. The new audit program is designed to be an educational tool as much as it is a component of the regulatory process. Thank you to the Audit Task Force for their excellent work.

The Commission acknowledged that it must keep its Bylaws and policies current as they relate to access to and use of technology by the industry. This past year we tackled options for file storage and put a new policy in place to permit electronic file storage.

The Commission considered two new Task Forces in 2017. The first is the Education Task Force which was established with a mandate to assess

the development and delivery of education and make recommendations for any necessary changes. The work of that task force is underway. The second is a Bylaw Task Force. The Bylaw came into effect in 1997 and while it has received updates in response to industry changes, a comprehensive review and refresh is required. Among other things, evolving technology has impacted the real estate business and processes have changed significantly over time. The Bylaw should be more open and permissive, allowing the industry to move quickly to adopt new processes, while at the same time continuing to ensure the public is protected in their real estate transactions. As a result, the Board of Directors is expected to put a Task Force in place in early 2018 to completely overhaul and modernize the Commission Bylaw.

One of the last things we did in 2017 was agree to hold a strategic planning exercise. The last strategic plan was developed in 2013 and we're due for a new plan. The Board and staff will be meeting for a day and a half at the end of March (2018) to develop a plan and a focus for the next three or so years. It is expected that a new strategic plan will tackle a review of the Commission mandate and operation and establish goals and objectives consistent with its mandate of ensuring consumer confidence and protection.

Thank you to the Board and Committees for your time and effort over the past year and, especially, thank you to our staff because, without you, we could not have accomplished all that we did.

Have a great 2018.

Message from the Registrar

Report for 2017



Brad Chisholm
Registrar

The Commission staff was heavily engaged in support of a number of committees and task forces in 2017. This included important work with licensees and consumers in a number of focus groups across the province. Significant progress was made in regards to the development of revised real estate forms and the nearly completed work of the Commission's Audit Task Force.

As these and other projects continue to move forward, our communications staff will work hard to ensure input from licensees and consumers is sought out and considered in all Commission decisions.

Compliance staff were extremely busy with audits, investigations and fielding inquiries from both consumers and licensees. The Commission has in recent years, put increased emphasis on attempting to resolve

issues that arise as an alternative to pursuing a more formal disciplinary path. The success of such resolution depends heavily on the circumstances at hand and the willingness of the consumers and licensees to reach an amicable solution. Of course, not all situations are appropriate candidates for this approach.

Being responsive to consumers and licensees with inquiries on a wide spectrum of topics is one of our top priorities. Our continued goal is to provide informed responses to all inquiries in a timely manner.

Thank you to the Commission staff for their hard work and commitment and thank you to the Board of Directors for your continued support.



Gary Mailman
Exit Realty Inter Lake

Licensing Committee

Chairperson's report for 2017

The role of the Licensing Committee is to review and make recommendations to the Board of Directors on all licensing matters. The Committee, as part of its make up with the NSAR, is always discussing ways on how education within the industry can be improved to increase the level of professionalism for all licensees.

Licensee numbers seemed to remain fairly consistent throughout 2017. The total number of licensees throughout the year ranged from 1574 to a high of 1605, falling to 1579 by the end of the year. This is still quite a decline from 2012 when the industry had its highest ever numbers with 1,919 licensees.

The committee met four times in 2017 along with one conference call. Throughout the year the committee reviewed and made decisions on a number of licensing exemption requests. The Licensing Committee also recommended that the Commission adopt, with some modifications, the Advertising in the Digital Age course as part of the 2017 mandatory course for licensees. As well, with the approval of the new Agreement of Purchase and Sale forms, the committee felt it would be a great learning experience for all licensees to complete a course on these forms so everyone will be on the same page before they come in to use. As an added bonus, the board also decided that the 2018 Forms Update course although mandatory, would be offered at no charge.

A three-person panel of the committee was struck to hear an appeal by a member of the public who was denied a license by the Registrar. As this is an on-going matter, no further information can be provided at this time.

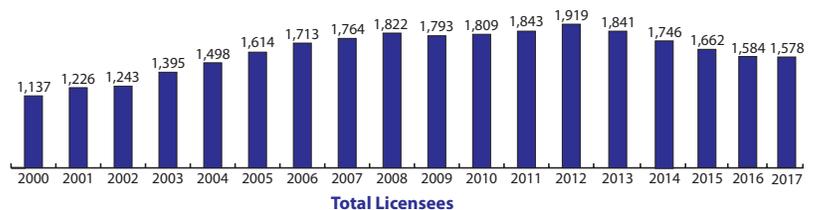
As Chair, I wish to thank outgoing committee member Gary Morse for his service. Gary was the previous Chair of this committee, but stepped down to take over as Chair of the Board of Directors. I would also like to welcome new committee member Nancy McGrath, thank the committee members and NSAR representatives for their work and dedication. I would also like to give a special mention to NSREC staff members Pam Crane and Peggy Kell, for all their hard work with this committee.

New applicants/ licence class	2014	2015	2016	2017
Salespeople	119	84	93	116
Brokers/managing associate brokers	14	22	16	17
Associate brokers	5	8	3	4

Industry totals	2014	2015	2016	2017
Offices	262	254	236	230
Licensees	1746	1662	1584	1578
Brokers	196	190	177	168
Managing associate brokers	47	47	48	50
Associate brokers	97	96	94	102
Salespeople	1406	1329	1265	1258
Approved sales corps.	152	154	170	187

Committee Members

- Gary Mailman, Chair, Commissioner, Bridgewater
- Alex Astbury, Salesperson, Halifax
- Anthony Brown, Commissioner, Halifax
- Sandra Chaisson, Salesperson, Halifax
- Lorena MacDonald, Associate Broker, Halifax
- Lydia MacIsaac, Salesperson, Bedford
- Nancy McGrath, Commissioner, Bridgetown
- Jennifer Morrison, Managing Associate Broker, Halifax
- Aaron Millen, NSAR Education Committee
- Nicole Kreiger, NSAR Director of Education



Complaints Review Committee

Chairperson's report for 2017



Mary MacDonald
Walt MacDonald Real Estate Limited

The Complaints Review Committee is comprised of both licensees as well as public members.

Our task is to review all of the Registrar's complaint decisions which include proposed settlement agreements, decisions where no charges existed and decisions where the Registrar chose to dismiss the complaint and not investigate.

The cases are presented to the Complaints Review Committee by the Compliance Investigator. After these

presentations, the Complaints Review Committee, after much discussion, decides if the Registrar's decisions are justified.

The Committee takes this process very seriously. They either agree or disagree with the Registrar. If there is a disagreement, the Committee may make recommendations to amend the Registrar's decision or refer the matter to the Discipline Committee.

When opportunities arise, the Investigator tries to resolve issues between the parties before they become formal complaints. This process seems to be working very well.

Discipline Committee

Chairperson's report for 2017



Bill McMullin
Viewpoint Realty Services Inc.

In 2017, the Discipline Committee established two Hearing Panels to resolve two cases where the licensees rejected the Settlement Agreement proposed by the Registrar. The Registrar has the option of referring the matter to the Complaints Review Committee to review a Settlement Agreement, or to the Discipline Committee for a hearing.

Very few investigations progress to the hearing stage because the majority of licensees facing disciplinary action choose to resolve the matter via a Settlement Agreement. The last time a Hearing Panel was appointed to hear a case was back in 2012.

A panel consisting of three Committee members was appointed for each Hearing and hearings took place in June and July of 2017. In both cases, the Panels confirmed the Registrar's findings that the licensee had contravened the Act and Bylaw. Substantial fines, suspensions and legal costs were imposed. A licensee 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 both cases, the licensee did not appeal the decision. The Hearing Panel has broad authority as outlined in Section 19 of the *Real Estate Trading Act*.

Thank you to all the members of the Discipline Committee for their willingness to stand and serve the Commission in this role.

Committee Members

Mary MacDonald, Chair, Commissioner, Liverpool
Peter Fraser, Salesperson, Antigonish
Jennifer Kyte-MacDonald, Associate Broker, Sydney
Jessica May, Public Member, Truro
David Melvin, Public Member, Halifax
Charlie Pace, Broker, Halifax
Ann Parks, Broker, Bridgewater
Patricia Roberts, Salesperson, Halifax
Kathy Whitewood, Salesperson, New Minas
Denise Zareski, Public Member, Musquodoboit Harbour

Committee Members

Bill McMullin, Chair, Commissioner, Bedford
Carol Alexander, Member, Bridgewater
Raffi Balmanoukian, Public Member, New Glasgow
Marilisa Benigno, Member, Halifax
Anthony Brown, Commissioner, Halifax
Matt Dauphinee, Member, Halifax
Melissa Pilkington, Member Dartmouth
Sharon Corcoran, Member, Truro
Al Demings, Member, Dartmouth
Steven MacDonald, Member, Dartmouth
Tim Margolian, Member, Halifax

Recovery Fund Trustees

Chairperson's report for 2017



Anthony Brown
Royal LePage Atlantic

The Recovery Fund is invested using a "margin of safety" strategy, populating the recovery portfolio using active managers. The asset allocation for the portfolio is 75% fixed income, 15% global equity and 10% alternative strategies. The fixed income strategies are primarily focussed on investment grade corporate credit using both active managers that are long only value biased and managers that are hedged to protect the bond weight

from the potential of a rising interest rate environment. These managers have created strong absolute and in the past three years the asset and manager allocation has created a return, after fees, of approximately 3.6%.

In 2017, the portfolio was up approximately 0.64% largely because the portfolio is 26% US denominated and the Canadian dollar has appreciated approximately 6.91% against the US\$ to December 31, 2017. The US dollars exposure detracted approximately 1.80% from the performance. The currency and the very defensive nature of the managers given the high valuations in the capital markets have constrained the return of the portfolio.

The portfolio construction of the Nova Scotia Real Estate Commission Recovery Fund is positioned to be tactical by increasing risk when assets valuations are low and return opportunities are high and to the opposite when valuations are excessive, which is where we are currently. We are embracing the words of Mahatma Gandhi who said, "It is better to walk alone than with a crowd going in the wrong direction".

In spite of the recent volatility of the equity (approximately -10%) and the fixed income markets (approximately -2.5%), the portfolio has hovered around flat to down approximately 1%.

Committee Members

Anthony Brown, Commissioner, Halifax

John MacKay, Member, Wolfville

Aaron Millen, Member, New Glasgow

Finance Committee

Chairperson's report for 2017/2018



Bill MacAvoy
Commercial Eastern Inc. DBA
Cushman & Wakefield Atlantic

In 2017 the Commission's financial position was stable, with the notable exception of legal costs. The number of licensees remained stable and we anticipate a slight increase in numbers in 2018. Legal costs were significantly higher due to a number of lengthy discipline and licensing hearing proceedings. Despite the number of new licensed salespersons being down from years past. Committee fees were also higher due to increased loads work by several committees and task forces. Most operating expenses were at or near budget.

Operating expenses are closely monitored by both the Finance Committee and management.

The 2018 budget includes light to moderate fee increases in all licence categories. The fee increases are part of a long-term sustainability plan to ensure the Commission is able to meet current and future expense obligations in a changing operating environment.

Thank you to the Finance Committee members and to the Commission staff for their hard work over the past year.

Committee Members

Bill MacAvoy, Commissioner, Halifax

Jessica May, Commissioner, Truro

Mary MacDonald, Commissioner, Liverpool

Gary Morse, Commissioner, New Minas

Commercial Committee

Chairperson report for 2017



Bill MacAvoy
Commercial Eastern Inc. DBA
Cushman & Wakefield Atlantic

The Commercial sector has no current agenda items related to the Commission's initiatives. Brian Lugar, member of the Commercial Committee, has represented the commercial sector on the Commission's Audit Task Force. The commercial sector is looking forward to a Bylaw update, including a possible special classification for commercial-only licensees in commercial-only brokerages.

The Commercial Forum, held in January, was well attended. The morning focused on communication within the real estate world and the afternoon had two presentation themes: 1. Learning about what you can't see at first glance on land or a building, facilitated by Pinchin LeBlanc, and 2. Learning about the future growth of our urban core, facilitated by Centre Plan—Halifax planning department.

Thank you to those who have served on the Commercial Committee over the past year. I encourage commercial licensees to continue to bring their concerns forward to me as their commercial representative on the Board of Directors.

Committee Members

Bill MacAvoy, Chair, Commissioner, Halifax
Tom Carpenter, Member, Halifax
Andrew Cranmer, Member, Halifax
Cathy Covey, Member, Stellarton
Bill Greenwood, Member, Halifax
Brian Lugar, Member, Dartmouth
Tim Margolian, Member, Halifax
Greg Taylor, Member, Halifax

NSREC Mandatory Forms Committee

Chairperson Report for 2017

Since the inception of the Forms Committee in 2014, this past year has probably been the busiest year yet. Very early in the New Year, we were asked to update some of the clauses frequently used by licensees. We are pleased to report a new clause book was introduced by midyear containing many of the needed clauses for our members.

Our main goal for the year was to rebuild the Agreement of Purchase and Sale forms and the schedules that may accompany them. Although some of the work was started in the previous year, we dedicated ourselves to have the forms completed by year end. Our committee met numerous times to complete this work and we are proud to report that the new forms are now being introduced to licensees with an implementation date of July 1, 2018.

The committee, after hearing from licensees' concerns over the past several years, knew it was not a matter of making some minor changes but these forms needed a complete overhaul to bring them up to date.

We are proud to report the new documents have fewer pages than the old and their layouts present clauses in an order that makes it much easier to follow for our buyers and sellers, as well as our licensees.

As our industry continues to evolve meeting the needs of consumers to sell and purchase properties, our forms must ensure that the public interest is protected. Through this process, these new forms demand licensees take the time to ensure the buyers and sellers have a complete understanding of the clauses in these new documents. It was for this reason that our committee recommended to the Board of Directors that a course be developed and made available to all licensees practising residential real estate to explain these many changes. Our committee was pleased that the Board approved these new forms and mandate a forms update course.

I wish to acknowledge and thank our Committee members for 2017.

The work of the committee would not be complete if it were not for the support of Commission staff. Their research of information, the preparation of our documents and keeping us focused on our goals has made our work on this committee a very positive experience.

Committee Members

Dennis Richards, Chair, Commissioner, Dartmouth
Carol Alexander, Member, Bridgewater
Lynn Carter, Member, Dartmouth
Kathleen Lumsden, Public Member, Halifax
Denise MacDonell, Member, Halifax
Jasmine McNair, Member, Halifax
Gary Morse, Commissioner, New Minas
Tony Robinson, NSAR Representative, Dartmouth
Doris Snook, Member, Chester

Audit Taskforce

Report for 2017

In late 2016, the Commission Board of Directors struck a task force to review and assess the current audit program, which has been in operation for over 10 years, and to prepare a report of their assessment and recommendations.

Originally, the task force set an ambitious schedule, initially aiming to deliver their report to the Board in March 2017, however, once they began their thorough review it became clear that to provide a detailed analysis more time would be required. In addition to reviewing the current procedures the task force also wanted to allow sufficient time to collect feedback from the industry both through email submissions and directly from brokers through participation in focus groups.

The task force has been diligently working to provide a report to the Board of Directors that recommends increased transparency and establishes clear expectations in the audit and compliance program. This report is scheduled to be presented to the Board of Directors in April 2018.

In addition to myself as Chair, the taskforce is composed of experienced licensees and staff acting in a resource capacity. All decisions of the taskforce are made by majority vote and once the report is finalized by the taskforce it will be presented to the Board with recommendations.

I want to thank the Audit Task Force members and staff for their dedication in carrying out the work of this task force, which has proved extensive and challenging, but will ultimately contribute to the betterment of real estate brokerages in our province.

Committee Members

Jessica May, Chair, Commissioner, Truro

Anne Da Silva, Member, Bedford

Brian Lugar, Member, Dartmouth

Gary Morse, Commissioner, New Minas

Linda Smardon, Member, Dartmouth

Robert Wambolt, Member, St. Peters

Audits and Investigations

Report for 2017

The Commission's compliance team conducts yearly trust audits on each brokerage in Nova Scotia. In addition to trust audits, each brokerage is subject to a brokerage audit every three years. The brokerage audit includes a trust audit and an in-depth review of the brokerage's transaction files and records management. The results of the 2017 audits are categorized as follows:

198 trust audit ratings:	F2	30
	F3	35
	Very Good	32
	Good	77
	Needs Improvement	24
117 brokerage audit ratings:	F3	35
	Very Good	4
	Good	54
	Needs Improvement	24

In total, the Commission conducted 198 audits.

The trust and brokerage audits educate brokerages to understand and comply with the standards and procedures for trust accounts and transaction-file record keeping, which in turn protects the best interests of the public. The audits also help the Commission identify trends in the industry, which can then be addressed through continuing education courses and industry communications. 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 record keeping requirements. For example, any brokerage that receives three consecutive "needs improvement" ratings is subject to disciplinary action. In 2017, the Commission charged six brokers in relation to audits, and of those, one was restricted to an associate broker licence. The fines for non-compliance begin at \$500, but increase with each offense and can, in more extreme situations, result in licence restrictions and licence suspensions.

Origin of 2017 investigations

Public	17
Registrar	3

2016 investigation status summary

Outstanding investigations from 2016	5
New cases initiated in 2017	20
Closed (investigated and presented)	10
Outstanding as of December 31, 2017	15
Dismissed complaints	4
2017 hearings	2
2017 licence suspensions	3

Commissioners

Nominees for 2017



Nominee: Anthony Brown
Brokerage: Royal LePage Atlantic
Type of licence: Salesperson
Years licensed: Eight
Degrees/designation: Bachelor of Recreation and Sports Sciences Management, RSS, REALTOR®
Director / Committee Experience: Commissioner NSREC Board of Directors (three years), Recovery Fund Committee (three years), Licensing Committee (one year), YPN Co-chair (two years)

About: People have opened many doors for me; I have a loving family, great friends and the support of many people that have guided and mentored me. I am Anthony Brown and giving back to the people around me defines my life; I focus on bringing more than is needed to every aspect of my life and every relationship I have, everyday.

I fell in love with real estate towards the end of my first year in University when I decided that I was not going to pay rent; I bought a two-unit property that I lived in and managed. I was fascinated by the concept of real property and real estate as a means of generating income. After I graduated from the University of New Brunswick in 2008, I entered the corporate world in a Senior Management role. There were a lot of things I enjoyed about running a company and if things had happened differently I may still be working for the same company today.

In January of 2009 my life took a crazy turn, on a day like any other I was walking on the side of the road and I was hit from behind by a minivan. I woke up from a coma completely paralyzed on the left side of my body. I was determined to make a full recovery; there are one hundred stories I could share with you about my journey. I gained a lifetime of knowledge and insights through this difficult time in my life.

After I had recovered from my accident I decided I was going to pursue my dream of selling real estate. As it turns out I was always meant to be in the real estate industry. I have achieved many successes in my role as a licensed Real Estate Salesperson and it has opened many doors for me including my own personal real estate investing, real estate coaching, speaking and training.

My passion for learning and growth drives me, it is constantly pushing me to do more and move forward in life.



Nominee: Matthew Daphine
Brokerage: Domus Realty Limited
Type of licence: Managing Associate Broker
Years licensed: Seven
Degrees/designations: Bachelor of Arts from Dalhousie University, Advanced Information Technology from the Information Technology Institute
Director/committee experience: Discipline Committee

About: As technology, innovation and access to information continue to reshape our world every day, impacting all industries along the way. The Real Estate industry, has not been immune to these changes and will continue to see many changes more frequently than ever before. The policies and standards of the Nova Scotia Real Estate Commission are what help guide our industry into the future. As a Commissioner I would look forward to the opportunity to help our industry adapt to changes and continue to prepare our licensees to best serve the public. I am passionate and committed to the Real Estate Industry and would like the opportunity to play a constructive role in its growth in Nova Scotia.



Nominee: Susan Green
Brokerage: Coldwell Banker M B Green Realty
Type of licence: Broker
Years licensed: 40
Degrees/designation: Bachelor of Arts and Bachelor of Education from Acadia University
Director/committee experience: Certified Residential Appraiser with

the Appraisal Institute of Canada, CRA Retired Status, NSREA - current MPAC Committee member, NSREA - Past PAC Committee - four years, and 2017 PAC Days representative for Central Nova riding, NSREC – Discipline Committee Member - two terms ending in 2014, Aberdeen Health Foundation - Past Chair, as of February 2018, and current Search Committee member, United Way of Pictou County and Pictou Regional Development Commission – two past terms each

About: For years, I have had an interest in serving on the Nova Scotia Real Estate Commission. Recent developments have granted me the ability to finally commit the volunteer time and energy that the position requires and deserves.

Until January 2016, I operated a full service, residential brokerage, and personally listed and sold properties. These responsibilities instilled an understanding of our evolving profession from the perspectives of a real estate salesperson, broker, and business owner. Over the past two years, I successfully transitioned my business to a primarily buyer representation model. The training, and access to appropriately worded disclosures and

forms, helped make this a smooth transition, enabling me to move forward with confidence in my relationships with clients, customers, FSBOs, and competitors.

Along with my industry relevant experience, twelve years as a Director of the Aberdeen Health Foundation, most recently as Past Chair and as Chair of both Personnel and Nominations, gives me board governance experience that would serve me well in this position.

Over the last few months, my attention has been captured by news coverage concerning issues of Ontario and British Columbia real estate practices. In the past, I admit to frustration concerning details of NSREC's annual audit regime. Now, however, I have an appreciation of how the big picture regulatory priorities at NSREC have evolved to our benefit and the benefit of consumers. It's gratifying to see that Nova Scotia has been ahead of the curve.

Increasing real estate service choices, including from unregulated participants, requires our regulator to keep pace with continuously emerging challenges and opportunities. It occurs to me that, with proper signage and processes, licensed real estate professionals now have the tools, skills, and flexibility to even offer fee-based FSBO marketing services to customers, combined with the value add option to move to client representation, should any customer wish to do so. Only a few years ago, this kind revenue stream concept was beyond the frame of reference of many real estate service providers, including myself.

After years of actively working in real estate, I would consider time spent improving and advancing the regulatory side of our industry to be an exciting privilege and one I am eager to explore.

Thank you for considering me for the position of NSREC Director. I respectfully ask for your vote.

Financial Statements of

NOVA SCOTIA REAL ESTATE COMMISSION

December 31, 2017

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, 2017 and the statements of revenue and expenses, changes in 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, 2017, 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.



Chartered Professional Accountant, Licensed Public Accountant
Dartmouth, Nova Scotia
March 23, 2018

NOVA SCOTIA REAL ESTATE COMMISSION
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NOVA SCOTIA REAL ESTATE COMMISSION

Balance Sheet

As at December 31, 2017

	2017	2016
ASSETS		
Current		
Cash		
- Unrestricted	\$ 591,827	\$ 426,542
- Restricted	3,797	72,437
Short term investments		
- Unrestricted	148,578	636,690
- Restricted	64,463	-
Accounts receivable	22,497	4,479
Prepaid expenses	1,698	2,565
Inventory - manuals and guides	1,533	1,714
	834,393	1,144,427
Recovery Fund investments (cost - 2017 - \$605,445; 2016 - \$596,810) (Note 3)	609,083	605,101
Capital assets (Note 4)	112,324	128,603
Intangible assets (Note 5)	60,304	25,538
	\$ 1,616,104	\$ 1,903,669
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 46,437	\$ 71,260
HST payable	30,316	102,605
Funds held in trust	68,260	72,437
Deferred revenue	374,282	381,695
	519,295	627,997
Deferred lease incentives (Note 6)	64,001	67,841
	583,296	695,838
NET ASSETS		
Reserve Fund (Note 7)	131,643	131,643
Recovery Fund (Note 8) (Schedule 1)	609,083	605,101
General Fund	292,082	471,087
	1,032,808	1,207,831
	\$ 1,616,104	\$ 1,903,669

Commitments (Note 10)

See accompanying notes to the financial statements

NOVA SCOTIA REAL ESTATE COMMISSION

Statement of Revenue and Expenses

Year ended December 31, 2017

	2017	2016
Revenue		
Recovery Fund		
Assessment income	\$ 40,070	\$ 41,702
Investment income	17,318	24,804
Unrealized (loss) gain on investments	(4,653)	3,066
	52,735	69,572
General Fund		
Licensing fees	804,738	800,588
Examination fees	17,520	11,600
Fines and penalties	18,300	23,250
Reinstatement of license	14,730	15,552
Hearing and investigation recoveries	79,070	-
Other fees	6,028	7,204
Lapsed trust funds	19,278	54,363
Investment income	22,915	23,794
	982,579	936,351
	1,035,314	1,005,923
Expenses		
Advertising	2,020	687
Act changes	-	7,366
AGM and conference	3,600	942
Amortization	13,538	9,121
Bad debts	53,800	-
Bank service charges	22,065	20,739
Computer maintenance	6,408	11,794
Conferences	23,022	24,310
Directors and Committee member fees	81,050	33,203
Dues and fees	3,068	2,602
Focus groups	5,280	10,045
Hearing and investigation costs	192,459	2,435
Insurance	2,111	2,088
Internet hosting fees	5,579	4,405
NSAR course	-	22,434
Office	11,547	16,100
Postage and courier	6,142	6,872
Printing	10,440	10,410
Professional fees	26,539	32,323
Rent, cleaning and utilities	72,660	74,318
Repairs and maintenance	2,639	2,557
Salaries and employee benefits	611,802	640,588
SPL and BL exams	4,120	3,571
Staff travel and training	10,661	17,831
Telecommunications	10,250	10,726
Travel and meetings	29,537	20,848
	1,210,337	988,315
Excess of (expenses over revenue) revenue over expenses	\$ (175,023)	\$ 17,608

See accompanying notes to the financial statements

NOVA SCOTIA REAL ESTATE COMMISSION

Statement of Changes in Net Assets

Year ended December 31, 2017

	<u>General Fund</u>	<u>Recovery Fund</u>	<u>Reserve Fund</u>	<u>2017</u>	<u>2016</u>
Net assets, beginning of year	\$ 471,087	\$ 605,101	\$ 131,643	\$ 1,207,831	\$ 1,190,223
Excess of (expense over revenue) revenue over expenses	(219,075)	44,052	-	(175,023)	17,608
Transfer from (to) General Fund	40,070	(40,070)	-	-	-
Net assets, end of year	\$ 292,082	\$ 609,083	\$ 131,643	\$ 1,032,808	\$ 1,207,831

See accompanying notes to the financial statements

NOVA SCOTIA REAL ESTATE COMMISSION

Statement of Cash Flows

Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating activities		
Excess of revenue over expenses	\$ (175,023)	\$ 17,608
Items not affecting cash		
Amortization	13,538	9,121
Step rent	3,200	2,134
Unrealized loss (gain) on investments	4,653	(3,066)
Changes in non-cash operating working capital items	(125,672)	124,187
	<u>(279,304)</u>	<u>149,984</u>
Investing activities		
Purchase of Recovery Fund investments (net)	(8,635)	(16,522)
Purchase of capital assets, excluding non-cash lease incentive	(600)	(49,746)
Purchase of intangible assets	(38,465)	(15,220)
Decrease in unrestricted short term investments	488,112	331,845
Decrease (increase) in restricted cash and short term	4,177	(6,188)
	<u>444,589</u>	<u>244,169</u>
NET CHANGE IN CASH	165,285	394,153
CASH, BEGINNING OF YEAR	426,542	32,389
CASH, END OF YEAR	\$ 591,827	\$ 426,542

See accompanying notes to the financial statements

NOVA SCOTIA REAL ESTATE COMMISSION

Notes to the Financial Statements

December 31, 2017

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. The Commission is exempt from income taxes.

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 8.

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 consist of amounts on deposit with a financial institution with maturities that exceed three months at the date of acquisition. Maturities range from February, 2018 to October, 2018 and the investments bear interest rates which range from 0.67% to 0.98%.

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.

NOVA SCOTIA REAL ESTATE COMMISSION

Notes to the Financial Statements

December 31, 2017

2. ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost and are amortized over their estimated lives using the straight-line method at the following annual rates.

Furniture and equipment	10%
Computers	25% - 50%
Leasehold improvements	10%

Intangible assets

The intangible assets are comprised of website and software development costs which are recorded at cost and amortized over an estimated life of five years, using the straight-line method, when the asset is put in use.

Impairment of long-lived assets

Long lived assets, such as capital and intangible 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.

Recovery Fund Investments

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

Deferred lease incentives

Lease incentives include landlord funded renovations, recorded as leasehold improvements, and step rent adjustments. Lease incentives are amortized on a straight-line basis over the term of the lease. Leasehold improvements amortization is netted against related capital asset amortization and step rent adjustments are added to rent expense.

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.

NOVA SCOTIA REAL ESTATE COMMISSION

Notes to the Financial Statements

December 31, 2017

2. ACCOUNTING POLICIES (continued)

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.

3. RECOVERY FUND INVESTMENTS

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

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Fixed income funds	\$ 261,557	\$ 254,253	\$ 259,987	\$ 247,548
Mixed funds	347,526	351,192	345,114	349,262
	\$ 609,083	\$ 605,445	\$ 605,101	\$ 596,810

The Recovery Fund balance, end of year, includes an accumulated unrealized gain on investments of \$3,638 (2016 - \$8,291).

4. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computers	\$ 38,922	\$ 32,798	\$ 6,124	\$ 8,727
Leasehold improvements	110,647	18,441	92,206	103,271
Furniture and equipment	81,341	67,347	13,994	16,605
	\$ 230,910	\$ 118,586	\$ 112,324	\$ 128,603

NOVA SCOTIA REAL ESTATE COMMISSION

Notes to the Financial Statements

December 31, 2017

5. INTANGIBLE ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website	\$ 18,487	\$ 5,546	\$ 12,941	\$ 16,638
Software under development	47,363	-	47,363	8,900
	\$ 65,850	\$ 5,546	\$ 60,304	\$ 25,538

6. DEFERRED LEASE INCENTIVES

	2017			2016
	Tenant inducement	Step rent	Total	Total
Balance, beginning of year	\$ 65,707	\$ 2,134	\$ 67,841	\$ -
Lease incentive additions during year	-	-	-	70,400
Increase in step rent accrual	-	3,200	3,200	2,134
Amortization	(7,040)	-	(7,040)	(4,693)
	\$ 58,667	\$ 5,334	\$ 64,001	\$ 67,841

7. RESERVE FUND

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

8. 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.

9. FINANCIAL INSTRUMENTS

Fair value

The fair value of cash, short and long term investments, accounts 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.

NOVA SCOTIA REAL ESTATE COMMISSION
Notes to the Financial Statements
December 31, 2017

9. FINANCIAL INSTRUMENTS (continued)

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. As at December 31, 2017, the allowance for doubtful accounts which offsets trade receivables was \$56,000 (2016 - \$2,200).

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.

10. COMMITMENTS

The Commission entered into a ten year lease agreement for office space that commenced May 1, 2016. The agreement requires monthly lease payments of approximately \$5,300, plus HST for the first five years and approximately \$6,100 per month, plus HST, for the remainder of the term.

In 2013, the Commission entered into a lease agreement for office equipment that expires December 31, 2018 and has quarterly lease payments of \$1,613.

11. COMPARATIVE FIGURES

Certain of the 2016 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, 2017

	<u>2017</u>	<u>2016</u>
Net assets, beginning of year	\$ 605,101	\$ 585,513
Revenue	52,735	69,572
Investment fees	(8,683)	(8,282)
Transfer to Commission - administration, net	(40,070)	(41,702)
Net assets, end of year	\$ 609,083	\$ 605,101

Budget 2018

Revenue		
Recovery Fund		
Assessment income		13,500
Investment (loss) income		10,000
Unrealized gain (loss) on investments		0
		<u>23,500</u>
General Fund		
Licensing fees		908,050
Examination fees		17,000
Fines and penalties		15,000
Reinstatement of license		30,000
Hearing and investigation recoveries		10,000
Other fees		5,700
Lapsed trust funds		26,000
Investment income		22,000
		<u>1,057,250</u>
		1,057,250
Expenses		
Advertising		1,000
AGM and conference		4,000
Amortization		7,600
Bad debts		-
Bank service charges		22,000
Conferences		6,000
Consulting		0
Directors and Committee member fees		58,000
Hearing and investigation costs		10,000
Insurance		2,150
Public awareness		0
Miscellaneous		10,190
Office		27,900
Professional fees		24,000
Rent, cleaning and utilities		67,000
Salaries and employee benefits		692,000
SPL and BM exams		4,400
Staff travel and training		13,000
Telecommunications		14,000
Travel and meetings		18,500
Internet hosting fees		6,000
Transfer Recovery Fund		13,500
Strategic Planning		25,000
Education course		30,00
		<u>1,056,240</u>
		1,056,240
Excess of revenue over expenses		<u>1,010</u>

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