

# Annual Report

2022-2023



# CONTENTS

<b>INTRODUCTION</b>	<b>1</b>
<b>THE YEAR IN NUMBERS</b>	<b>2</b>
<b>CORPORATE OVERVIEW</b>	<b>3</b>
<b>MESSAGE FROM THE CHAIR OF THE BOARD</b>	<b>4</b>
<b>MESSAGE FROM THE CEO AND REGISTRAR</b>	<b>5</b>
<b>OUR RESPONSIBILITIES</b>	<b>7</b>
<b>REPORT ON PERFORMANCE</b>	<b>8</b>
<b>CORPORATE GOVERNANCE</b>	<b>16</b>
<b>FINANCIAL REPORT</b>	<b>22</b>





# INTRODUCTION

The Home Construction Regulatory Authority (HCRA) regulates new home builders and vendors in the province. We protect consumers through a fair, safe and informed marketplace that supports the goal of a continuously improved home building industry in Ontario.

The HCRA enforces high professional standards for the home building industry, ensuring that builders and vendors have the required technical, management and financial competencies, and that they treat home buyers ethically and fairly. Ultimately, this gives new home buyers confidence in one of the biggest purchases of their lives.

In addition to regulating builders and vendors, the HCRA provides educational information for consumers, including the [Builder Directory](#), which details background information about each of the province's more than 6,500 licensed builders and vendors.

This educational material aims to give new home buyers – most of whom have never done this before – guidance on the steps in the home buying journey, including what to expect from their builder and their builder's expectations for them.

The HCRA is a not-for-profit corporation that is designated by the provincial government to administer and enforce the [New Home Construction Licensing Act, 2017](#) (NHCLA) and associated regulations.

As an administrative authority, the HCRA operates independently of government and industry. The HCRA is committed to regulatory excellence and using best practices for industry oversight and consumer engagement.

The HCRA's Annual Report completes its 2022-2023 business cycle by reporting on the priorities outlined in the [2022-2023 Business Plan](#). The HCRA is reporting on its activities from April 1, 2022 to March 31, 2023, which was the second full year of operations.



# THE YEAR IN NUMBERS

April 1, 2022 to March 31, 2023

**6,775**

Licence applications received

**848**

New licence applications

**5,927**

Renewal applications

Active licensees

**6,691**

Inbound phone calls

**13,538**

Builder Directory searches

**404,610**

Website views

**613,773**

**806**

Complaints received

**132**

Complaints against unlicensed builders

**674**

Complaints against licensed builders



# CORPORATE OVERVIEW

## Mandate

In order to protect consumers, the HCRA is responsible for licensing new home builders and vendors in Ontario. It enforces professional standards for competence, good conduct, and financial responsibility while promoting the protection of the public interest and maintaining a fair, safe, and informed marketplace. The HCRA also provides educational information and resources for consumers, including the Builder Directory, the authoritative source of information about Ontario's licensed home builders and vendors.

## Vision

Fostering a professional new home building industry that Ontarians can trust.

## Mission

A fair, effective, and proactive regulator of new home builders and vendors that supports a positive consumer experience.

## Values

- Service Excellence
- Fairness
- Respectfulness
- Integrity
- Learning and innovating
- Diversity and Inclusion
- Continuous Improvement
- Openness and Accountability



# MESSAGE FROM THE CHAIR OF THE BOARD



**Marg Rappolt**

This past year was transformative for the Home Construction Regulatory Authority. The organization moved from start-up mode to becoming an established overseer of Ontario's new home construction sector.

When the HCRA launched, we set out two broad goals. One is to be a trusted resource for consumers, giving them useful education on the home buying process and effectively addressing concerns they have with the conduct of licensed builders and vendors. We are achieving this objective, through our website, the Builder Directory and a new complaints process. Further enhancements are in the pipeline.

Our second key goal is to be a respected regulator among licensees, enforcing high standards of professional conduct for builders and vendors, and ensuring a level playing field throughout the new home building marketplace. Again we can point to success, as we continue to define and refine conduct requirements and reinforce relationships with industry stakeholders.

Getting to this point has necessitated some strong action and difficult decisions. The HCRA

has laid charges, even revoked and suspended licences. These are serious steps, but send a clear message that failure to meet the HCRA's expectations will not be abided. New home buyers must be protected, while builders and vendors must be assured of professional conduct and competitive fairness.

With a provincial Code of Ethics now in place, there is no excuse for unprofessional behaviour. We must emphasize that the vast majority of the 6,500+ licensees in Ontario adhere to these high standards and meet the HCRA's expectations. As the industry continues to grow, the HCRA will be vigilant in assessing licensing qualifications and thorough in following up on complaints, to maintain this high level of professionalism and weed out the few bad actors.

On behalf of the HCRA Board, I want to thank CEO and Registrar Wendy Moir who, along with the entire Senior Leadership Team, has admirably steered the HCRA to a steady state.

**Marg Rappolt**  
*Chair of the Board of Directors*



# MESSAGE FROM THE CEO AND REGISTRAR



**Wendy Moir**

As a relatively new organization – Ontario’s newest regulatory authority – the HCRA continues to record firsts. In 2022-23 this included a number of significant milestones, laying the groundwork and charting a path for a new era of home building oversight.

Highlights of our accomplishments in 2022-23 include:

- Processing more than 6,700 licence applications and renewals, as the industry grows ever-larger. This shows strength for Ontario’s economy and housing inventory, while the HCRA continues to ensure that builders and vendors – whether joining the sector or renewing to continue their operations – maintain high levels of professionalism and competency.
- Adding administrative penalties – financial penalties similar to a fine – to the HCRA’s existing enforcement tools for home builders or vendors who breach their legal and ethical obligations. The new regulation enables the HCRA to consider whether a licensee benefitted financially from breaking the law and, if so, an additional penalty may be applied reflecting the amount of the benefit, which could be passed on to the adversely-impacted consumers.

- Taking action against new home builders and vendors who contravened provincial legislation or regulations. This has included:

- » Laying charges for building or selling without being licensed and failing to enrol new homes in the warranty program.
- » Suspending a licence and freezing assets while the HCRA investigates alleged misconduct.
- » Revoking a licence for the first time. This is the most severe measure we can implement, prohibiting a builder from working in Ontario, and we do not take it lightly. However, licensees must understand that there will be serious consequences for breaching the law.

We do not relish taking these steps, but will not shy away from prosecuting those who try to sidestep the rules.

- Enhancing our online complaints form to support ease of submission. The actions against licensees noted above stemmed from complaints that made the HCRA aware of the infractions, and we continue to take all such reports seriously.



- Issuing Advisories to licensees clarifying and reinforcing the HCRA’s expectations, including:
  - » Reiterating expectations under the Code of Ethics regarding intimidation, coercion and obstruction. The Advisory reminded licensees of their legal and ethical obligation, including never using intimidation or coercion or applying undue pressure to any person, and never pressuring a person to withdraw (or to not submit) a complaint or concern to the HCRA related to a licensee’s conduct.
  - » Drawing attention to rules around price escalations and contract terminations, including the HCRA’s expectation that licensees will abide by agreements of purchase and sale in a way that is both legal and which conforms to the principles set out in the Code of Ethics.
  - » Reminding licensees and applicants that they are obliged to provide the HCRA with the information it requests in a timely manner.
- Launching a blog, *The Home Front*, on the HCRA website, to increase access and awareness of the HCRA’s services and consumer protection measures. Topics included: *The Ontario Builder Directory: Step 1 in Choosing a New Home Builder*; *Licence to Build New Homes – Without*

*One It’s Illegal in Ontario; Builders Must Honour Their Contracts; and Buyers Should Never Be Bullied.* We encourage everyone to read these [blogs](#).

- Conducting consultations about the Builder Directory, which gave us tremendous insights about how and why people are using the directory and will be the foundation for improvements we implement in the coming year and beyond.

Moving forward, the HCRA will continue to strive to achieve the objectives set out in our Business Plan: modern regulation, service and operational excellence, high-performance culture, aligning technology, and efficiency and value for money.

We have made good progress on all of those fronts, and we are proud of the solid and productive relationships we are fostering – with builders and vendors, consumers, other home building stakeholders and government.

As Ontario's new home building sector continues to grow, the HCRA will continue to strive to ensure that it remains well regulated, professional and ethical.

**Wendy Moir**  
CEO and Registrar





# OUR RESPONSIBILITIES

## Licensing

Setting standards of professional qualifications; processing licence applications and renewals; managing the Builder Portal – an online resource used by new home builders and vendors for licensing applications and renewals; maintaining the Builder Directory as the authoritative source of information about licensed builders and vendors.

## Education

Promoting awareness of best practices for navigating the new home buying process; educating licensees and potential licensees about their professional obligations, including the HCRA's expectations regarding appropriate conduct; maintaining the Builder Directory as a searchable resource containing licensing and warranty information.

## Complaints and Professional Conduct

Applying a risk-based approach to review and handle concerns raised about builder and vendor conduct through a fair, thorough, evidence-based process, including possible inspections, referral to the discipline process, and taking corrective or licensing actions.

## Compliance and Enforcement

Protecting consumers by promoting compliance and using enforcement measures to curb illegal building and vending in Ontario's new home construction sector; investigating and prosecuting the most serious matters.



# REPORT ON PERFORMANCE

## Performance Measures

Using past performance as a guide, the HCRA sets performance measures to achieve the strategic priorities and objectives of the organization. The annual report each year summarizes the performance outcomes of the previous year. For example, in the 2023-24 Business Plan, the HCRA used the 2022-2023 outcomes to set its performance targets.

As 2022-2023 was only the second full year of operations for the HCRA, this data sets an initial baseline for further analysis and allows for year-over-year comparisons in future annual reports.

Performance Measure	2022-2023 Baseline
<p><b>Average wait time to respond to incoming phone calls</b></p> <p>The HCRA's customer service team receives hundreds of telephone calls every day from consumers, licensees and the general public. The customer service team seeks to ensure each person receives a live response rather than a voicemail message.</p>	1:30 minutes
<p><b>Average time for processing licence applications</b></p> <p>The HCRA's licensing team receives thousands of applications on a yearly basis. The processing time is dependent on the type and complexity of the application. Assessment factors include competency, financial responsibility and conduct information, and other obligations.</p> <p>For 2022-2023, the HCRA has set a processing service standard of 8 weeks for a fully-complete new licence application and 4 weeks for a fully-complete renewal licence application.</p>	<p>Average time for processing new licence applications – 11 weeks</p> <p>Average time for processing renewal licence applications – 8 weeks</p>
<p><b>Percentage of complaints closed</b></p> <p>Each complaint is unique, with varying degrees of complexity and risk. For every complaint received the HCRA will conduct an impartial assessment to determine the facts of each case and the appropriate next steps.</p> <p>There are a variety of possible outcomes to close each complaint, including warning letters, additional education requirements, administrative penalties, and suspension or revocation of a licence.</p>	47%
<p><b>Percentage of successful Court and Tribunal Appearances</b></p> <p>The HCRA appears regularly before two judicial bodies: the Licence Appeal Tribunal to respond to appeals of the HCRA's regulatory decisions, and the Ontario Court of Justice to prosecute illegal builders.</p>	<p>Percentage of successful prosecutions – 100%</p> <p>Percentage of successful appearances at Licence Appeal Tribunal – 90%</p>
<p><b>Level of Web Traffic to the Builder Directory</b></p> <p>Profile searches initiated on builder-vendors or warranted homes show how visitors engage with the Builder Directory. Accordingly, the HCRA is seeking to establish the minimum number of profile and warranty searches each month.</p>	<p>29,000 licensee searches per month (average)</p> <p>2,000 warranty searches per month (average)</p>



## Governance

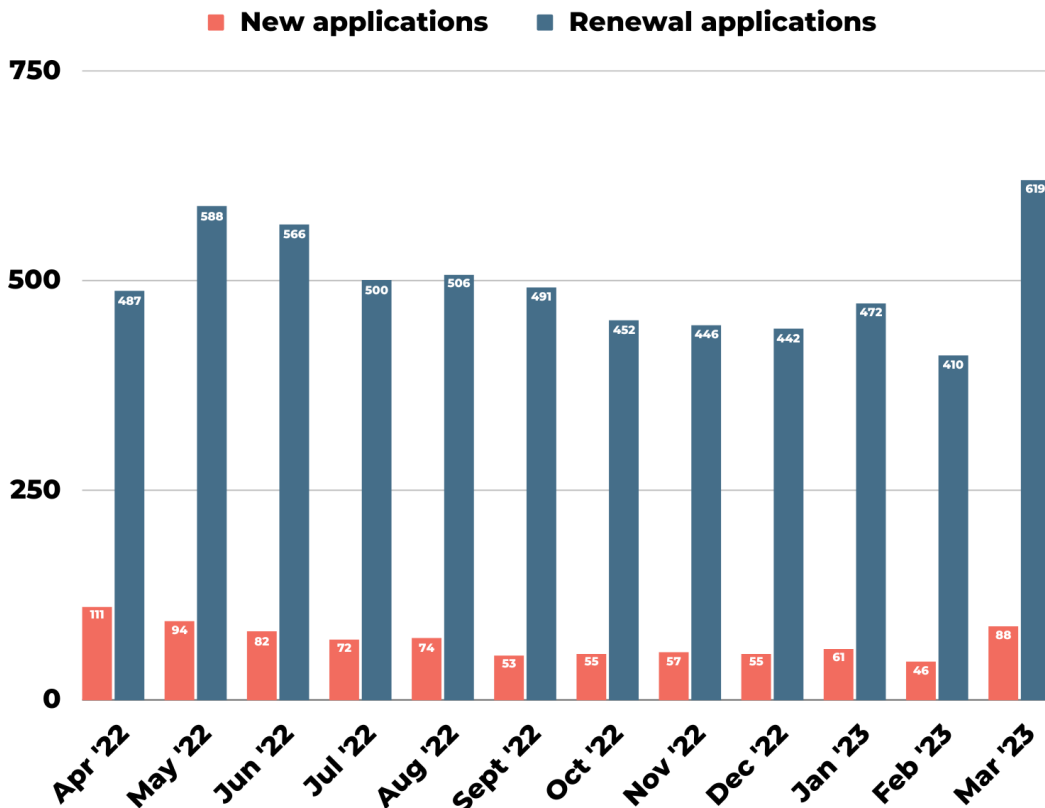
The Board remained active in 2022-2023 in discharging its responsibilities. In addition to its regular strategic oversight of the HCRA, the Board:

- Approved consumer-centric policy direction for HCRA operations on a variety of issues.
- Reviewed the 3-year Strategic Plan to confirm that the organization is on track to achieve its goals.
- Provided regular financial oversight of the HCRA’s annual operating budget.
- Approved a series of policies to guide the organization.
- Undertook regular review of the Enterprise Risk Management framework.
- Elected a new Chair and Vice-Chair to lead the Board’s work.
- Increased public engagement by offering a live question-and-answer session at the 2022 Annual Public Meeting of Members.

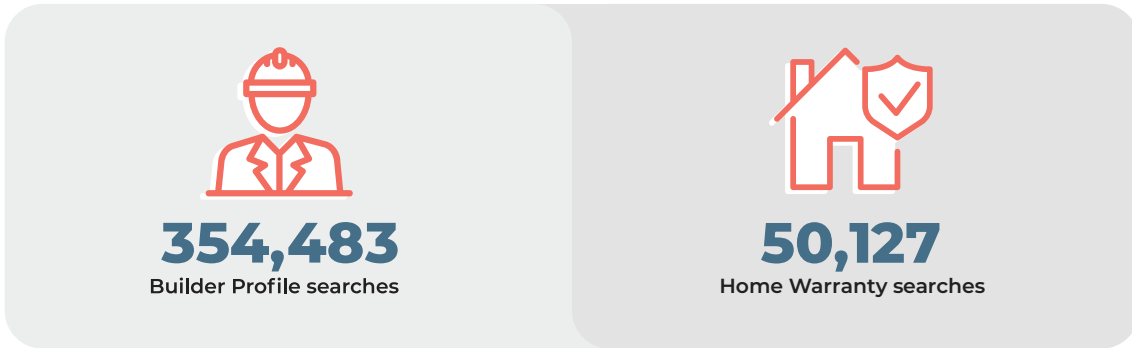
## Licensing

The HCRA processes two types of licence applications: “new” for a new licence-holder with no corporate history as a licensee; and a “renewal”, which is the annual process for each licensee to maintain their licence.

The licensing process generally includes a review of an applicant’s corporate and financial history to ensure that they can perform the work of a builder or vendor with honesty, integrity, and in accordance with the law. The HCRA evaluates each applicant to ensure they meet competency standards in a variety of areas, including financial responsibility, conduct, and building expertise.



## Builder Directory



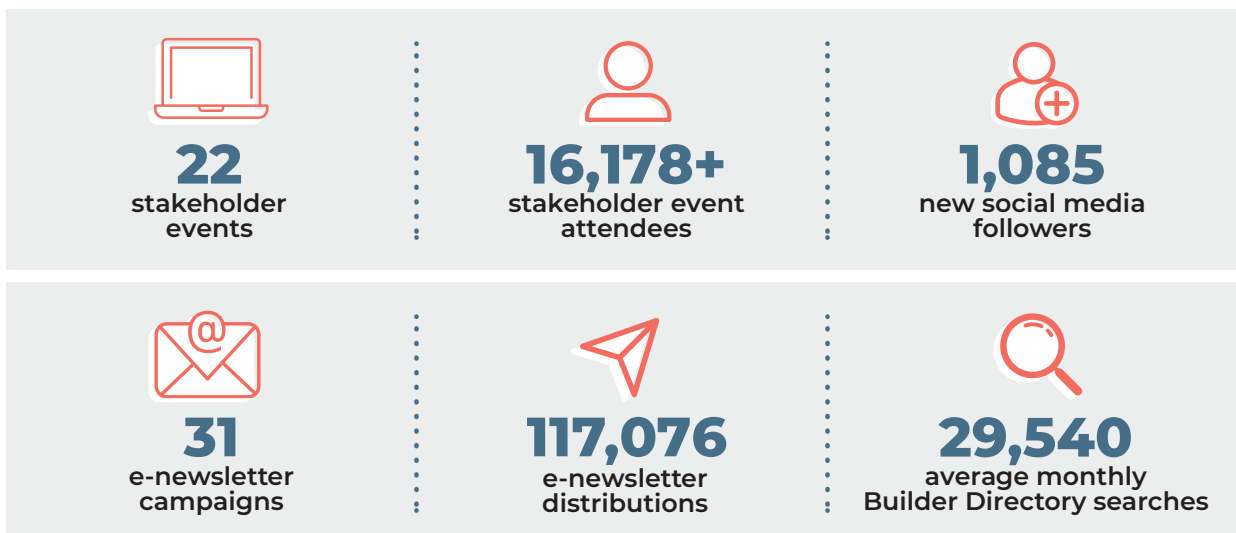
One key resource to support consumers is the Builder Directory. Hosted by the HCRA and inclusive of warranty-related information from Tarion, the directory is the authoritative source of information about 6,500+ builders and vendors in Ontario. Most importantly, it indicates whether a builder or vendor is licensed – a vital first step for any potential new home buyer. Other information includes years active, the number of homes built/being built, any associated companies, notices and orders issued against the licensee and warranty enrollment.

Adding to the database, the Builder Directory now discloses information about condominium contract terminations. With this new disclosure, the profile of each builder or vendor includes the number of condominium purchase agreements that have been terminated, along with the reasons for the termination provided by the builder or vendor.

To promote awareness of the Builder Directory as a vital resource, the HCRA engaged in extensive advertising in 2022-2023, including digital advertising on Google, social media, and radio public service announcements, which also ran on Spotify. During public consultations about the directory, two thirds of the consumers surveyed said they were aware of the directory because they saw the Google Ad.

These public consultations were a major initiative in 2022-23, and included surveying licensees, consumers and real estate professionals. The HCRA is currently reviewing the feedback and developing enhancements to the Builder Directory.

## Public Outreach and Engagement



To raise awareness of the HCRA, its role and services offered, the HCRA undertook a variety of public-facing initiatives in 2022-2023. This included media relations, as the HCRA issued several news releases around key announcements, such as action taken against builders and vendors.

Along with earned media coverage, the HCRA raised awareness through advertising, primarily promoting the HCRA website and its new blog, *The Home Front*, which launched in 2022.

*The Home Front* blog is a new educational tool focused on consumers. Many of the blogs reflected information sent to licensees (such as Advisories), to help consumers understand the home buying sector and make informed decisions.

In addition to public outreach, the HCRA proactively engaged relevant stakeholders, including educational presentations with real estate professionals, building officials and home inspectors – vital partners in the home building sector – to ensure they are aware of the HCRA's work and to build long-term, productive relationships.

In 2022-2023, the HCRA continued to collaborate with industry associations, including the Ontario Home Builders' Association (OHBA) and Building Industry and Land Development Association (BILD), to engage and educate licensees and the home building sector on important topics such as the Code of Ethics and the HCRA's professional conduct expectations for licensees.

The HCRA continued engagement with its Consumer Advisory Council (CAC) and Industry Advisory Council (IAC). Each Council provided guidance and advice to the HCRA Board of Directors on issues of importance to consumers and emerging issues in the new home construction sector. In 2022-2023 the Councils discussed and provided expertise on several topics including project cancellations and price increases, administrative penalties, the Builder Directory, and proposed research and education plans.

The HCRA also continued to work cooperatively with Tarion to share information and data to help both organizations achieve their common goal of enhanced consumer protection. This work has helped the HCRA to streamline its processes and data collection in support of the Builder Directory.

## **Complaints, Professional Conduct, Compliance, and Enforcement**

The HCRA's complaint system operates on two fundamental principles: giving consumers a clear path to voice their concerns and ensuring a fair review process of the matter for all parties involved.

The HCRA is committed to responding to every complaint it receives. Complaints are reviewed and assessed using a risk-based framework – with high-risk concerns receiving urgent attention.

The HCRA continues to dedicate the necessary resources to the complaints process, providing an impartial review of matters from the perspectives of both consumers and builders, being fair to all sides.

The HCRA has the jurisdiction to look into:

- Complaints surrounding a licensee's professional conduct. Licensed home builders must adhere to the law as well as a Code of Ethics.
- Complaints about builder competency.
- Complaints about illegal building – primarily building or selling a home without a licence, or failing to enrol a home in the Tarion warranty program.



When a complaint is submitted, the HCRA immediately acknowledges receipt, following up within three to five business days to learn more about the concerns, including obtaining any additional information necessary to move forward.

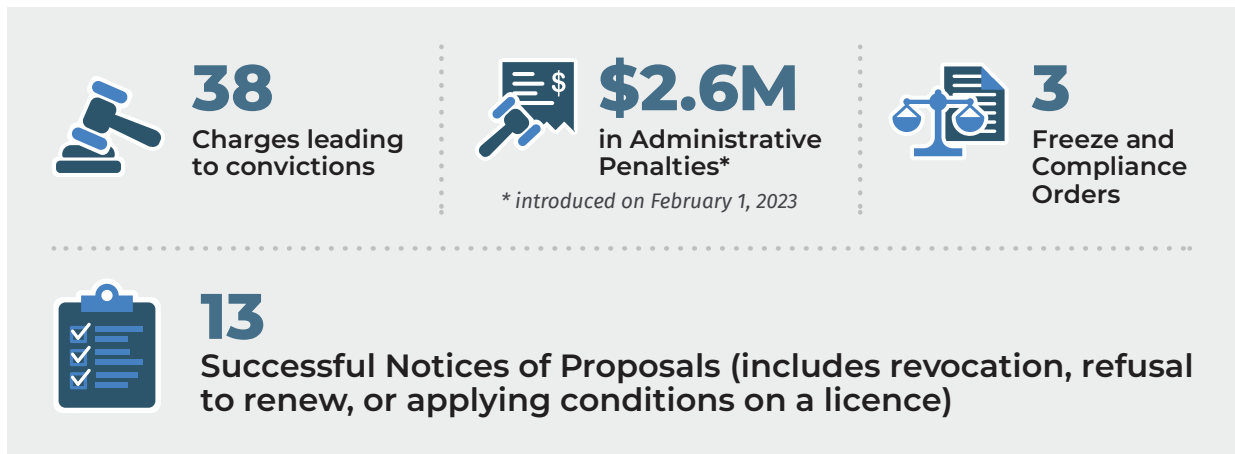
In 2022-23, the HCRA received complaints on the following topics: price escalation not allowed under the Agreement of Purchase and Sale; poor communication with purchaser; obstruction or retaliation around complaints; and issues of financial responsibility.

As each situation is unique, the HCRA has a number of tools to address complaints.

To address consumer, licensee and other stakeholder concerns, the HCRA has issued Advisories to licensees, reminding them of their legal and ethical obligations around issues:

- [Advisory #10](#) – Duty to Comply with the HCRA’s Request for Information
- [Advisory #11](#) – Price Escalations and Contract Terminations
- [Advisory #12](#) – Intimidation, Coercion & Obstruction

The HCRA may also issue a written warning or require the builders to take further education courses – and in very serious cases, the HCRA can revoke a licence, in essence putting the builder out of business.



In 2022-2023, the HCRA used a number of enforcement tools for the first time, including an immediate suspension of a licence, along with an immediate compliance order and freeze order, to ensure licensees operate in accordance with the law and to enhance protection for purchasers whose deposits and homes might otherwise have been at risk.

The HCRA also issued its first administrative penalty, a new enforcement tool that helps ensure builders do not benefit financially from breaching their licence requirements. The first application of this tool came after an HCRA investigation into consumer complaints about cancelled contracts and unreturned deposits, resulting in the builder paying nearly \$2.6 million in penalties to 141 affected purchasers.

These penalties are a first for the industry and give the HCRA additional measures to hold builders and vendors accountable to support an enhanced, fair and safe marketplace.

## Changes to the *New Home Construction Licensing Act, 2017* and Regulations

In 2022-2023, the Ontario Government put into effect a number of legislative and regulatory changes under the *New Home Construction Licensing Act, 2017* and its regulations. The changes introduced enhanced measures to better inform and protect purchasers of new/pre-construction condominium homes, as well as additional enforcement tools for the HCRA to address unethical behaviour by builders and vendors.

### Administrative Penalty Framework

On February 1, 2023, sections 75 to 79 of the *New Home Construction Licensing Act, 2017* (NHCLA) were proclaimed into force. These sections permit the HCRA to impose administrative penalties in certain situations as outlined by the regulations. The HCRA may also impose an additional penalty equal to the amount of any monetary benefit accrued to a licensee as a result of their contravention of the NHCLA.

These penalties can be imposed on contraventions that occurred on or after April 14, 2022. Additionally, the Minister introduced a new regulation prescribing the purposes for which the HCRA may use the funds that it collects from administrative penalties and Discipline Committee fines: the HCRA may use the funds it collects to support HCRA operations and provide payments to people adversely impacted by contraventions of the NHCLA and its regulations. To support these payments, the HCRA established an [Application of Monetary Benefit Policy](#).

### Increased fines and penalties for unethical conduct

On April 14, 2022, amendments to section 57 of the NHCLA came into effect. The amendments increase the maximum fines that the HCRA's Discipline Committee may impose against licensees who are found guilty of contravening the Code of Ethics. The maximum fines increased from \$25,000

to \$50,000 for individual licensees and from \$50,000 to \$100,000 for non-individual licensees. The amendments also give the Minister power to make regulations governing fines imposed by the Discipline Committee or Appeals Committee.

The Discipline Committee can also consider imposing an additional fine equal to the amount of any monetary benefit acquired by a licensee as a result of a failure to comply with the Code of Ethics, including repeat contraventions.

Similarly, new provisions under section 71 of the NHCLA created the authority for a court to impose an additional fine for a conviction in an amount equal to the monetary benefit acquired by a person as a result of an offence. These amendments came into force on February 1, 2023, when the government proclaimed relevant sections of the NHCLA permitting administrative penalties.

### Information about terminated purchase agreements on the Builder Directory

On January 1, 2023, amendments to the General Regulation under the *Ontario New Home Warranties Plan Act* require Tarion to collect information from new home builders and vendors about new/pre-construction condominium cancellations, along with the number of cancellations and reasons for the cancellations, and report them to the HCRA to post on the Builder Directory.

### Mandatory Condominium Information Sheet

On July 1, 2022, amendments to the Addenda to Agreements between Vendors and Purchasers Regulation came into effect, making it mandatory for licensees to include the Condominium Information Sheet ("Condo Info Sheet") to purchasers as part of any Agreement of Purchase and Sale for new and pre-construction condos signed on or after January 1, 2020. The HCRA is required to make available on its website the Condo Info Sheet entitled, "[Information for Buyers of New/Pre-Construction Condominium Homes dated April 20, 2022](#)." The Condo Info Sheet contains early termination conditions, timelines and project



status to help purchasers be better informed of the risks of a new condo purchase transaction and their rights and obligations.

### **HCRA Board competency, composition, and governance**

On April 28, 2022, amendments under the General Regulation of the NHCLA came into force and require the HCRA to make available on its website any changes to its by-laws within thirty days of approval by the Board of Directors.

On November 28, 2022, amendments under sections 10(1) and 11(1) of the NHCLA permit the Minister to issue an Order to make changes to the competency criteria and composition of the HCRA's Board of Directors.

### **Compliance with *Condominium Act* and prescribed municipal, provincial, and federal tax laws**

On July 1, 2022, amendments under the Application for Licences regulation added compliance requirements with the *Condominium Act* and all municipal, provincial, and federal tax laws and regulations to the list of prescribed laws and regulations which the Registrar may consider when issuing a licence.

### **Complaints handling**

On April 14, 2022, amendments under subsection 56(1) of the NHCLA confirm the Registrar's powers to inspect, investigate or take any enforcement or remedial action on any matter without a formal and/or external complaint.

## **Policies**

Corporate policies are used to guide the organization's decision-making. The following policies are required to be publicly available as set out in the Administrative Agreement between the HCRA and the Minister of Public and Business Service Delivery:

- Complaints About the HCRA Policy
- Expense Policy
- Procurement Policy

### **Complaints about the HCRA**

Members of the public may wish to submit a complaint about the ways in which the HCRA delivers its services. Under the HCRA's "Complaints about the HCRA" policy (available on the HCRA website), members of the public can submit a complaint to the HCRA Complaints Officer. The policy requires the Complaints Officer to conduct a fair, respectful review of each complaint and recommend action based on the specifics of the complaint, as necessary. The Complaints Officer submits recommendations to the CEO or, if the complaint is about the CEO, to the HCRA's Board Chair. The CEO or Board Chair, as appropriate, will determine how to implement the Complaints Officer's recommendations.

In 2022-2023, the HCRA received one complaint under this policy.

## **Accessibility**

The HCRA is committed to ensuring that all services are accessible in ways that are respectful of





people with different abilities by removing barriers where possible. In 2022-2023, the HCRA did not receive any requests for accessible services in addition to the services already provided.

The HCRA's website is designed with accessibility features to remove barriers where possible, and services are offered over the phone and online; at this time, the HCRA offers its services as a fully-virtual organization.

## French Language Services

The HCRA is committed to providing French language services to both the public and the industry, in accordance with section 28 of the NHCLA. Calls and inquiries to the HCRA contact centre can be addressed in French by bilingual staff members. The HCRA received approximately 104 inquiries on its French-speaking phone lines in 2022-2023.

For new home builders and vendors, all licensing applications can be submitted and processed in French. The HCRA's website also offers bilingual content, including:

- Advisories and directives
- Annual Reports
- Code of Professionalism for Compliance and Enforcement Staff
- Expense Policy
- Procurement Policy
- Business Plans
- Strategic Plan and its summary
- New and renewal licence instructions and application forms
- Complaint forms





# CORPORATE GOVERNANCE

The HCRA is an administrative authority governed by a Board of Directors operating within an administrative agreement with the Minister of Public and Business Service Delivery. The Board of Directors is accountable to the Minister – through the Board Chair – for the performance of the regulatory authority. The HCRA is committed to transparency and accountability in fulfilling its mandate and its obligations under the administrative agreement.

The HCRA’s Board of Directors is responsible for providing strategic leadership and oversight of the operations of the HCRA. Directors bring a wide range of expertise in areas of established competency criteria to ensure that the Board has a strong blend of skills, experience, and qualifications. Diversity and regional representation are also important considerations when the HCRA recruits directors.

The nine-person Board is comprised of six elected members and three members appointed by the Minister of Public and Business Service Delivery:



**MARG RAPPOLT**  
*Chair (Elected member)*

Strategic leader in public policy and human service transformation. Worked for 36 years in two provincial administrations (Ontario and Saskatchewan) and retired in 2014. Former Deputy Minister with the Ontario government with portfolios including: Community and Social Services, Health and Long-Term Care, Health Promotion, Seniors, Aboriginal Affairs, and the Ministry of the Attorney General. Marg is past chair of the Board of Trustees of the Holland Bloorview Kids Rehabilitation Hospital. She currently sits on the Board of Directors of the Woodgreen Foundation, and serves on its Governance Committee.

**AV MAHARAJ**

*Vice-Chair (Elected member)*

Named by the Globe and Mail's Report on Business Magazine as one of the top 50 Executives in Canada in 2020, Av Maharaj is the Chief Administrative Officer & VP of Legal and Government Affairs for Kraft Heinz Canada. Prior to that Av held senior positions at the Kellogg Company including serving as a member of the Canadian Executive Leadership Team, and Vice President, International, Legal, where he was responsible for all legal operations of Kellogg across the globe outside of the United States. Av is the past Chair of Legal Leaders for Diversity and continues to be a passionate advocate for diversity and inclusion in the legal profession. Av has also been named In-House Counsel of the Year by the South Asian Bar Association and a Diversity Champion by Women of Influence. Prior to his roles at Kellogg, Av practiced law at Fasken Martineau and Blake, Cassels & Graydon, focusing on securities, M&A and corporate law. Av holds an Honours Degree in Economics and a Law Degree from Western University.



**ERIC DENOUDEN**

*(Elected member)*



Eric DenOuden is the President of Hilden Homes Ltd and DenOuden Inc. He has over 40 years of building and land development experience, developing a diverse range of communities throughout the greater Quinte Region. Over those years the award winning company has been a leader in advanced housing design and building technology. Eric previously served as a board member and President for the Quinte Home Builders Association, Ontario Home Builders Association and the Canadian Home Builders Association. He is also a former Board member and Chair of Redeemer University.

**RINKU DESWAL**  
(Appointed member)

Rinku Deswal is a lawyer and the owner of RD Law Professional Corporation. She has 19 years of litigation experience. She also serves as general counsel to a number of businesses in the GTA. Rinku has served as Board Chair for Peel Crime Stoppers and as a Board member for St. John Ambulance (Peel Region). She has been awarded the Safe City Mississauga Bell Hero Award for her work in crime prevention in the Region of Peel. She is a recurring guest lecturer at the University of New Brunswick Law School.



**HUGH HERON**  
(Elected member)



Hugh Heron is the Chairman of Heathwood Homes and Heron Homes. With over 50 years of building experience, Hugh's building entities have built over 8,000 homes across Ontario. He has been a leader in the industry previously serving as Chair of the Tarion Warranty Corporation, President of both the Greater Toronto and Ontario Builders' Associations as well as a Senior Board Member of the Canada Mortgage and Housing Corporation. Additionally, Hugh received a Canada 125 Medal for his contributions to his community. In 2018, Hugh was awarded a Lifetime Achievement Award by the Building Industry and Land Development Association. Hugh is also Chairman of the Mikey Network, a charity placing defibrillators throughout Canada.

**MARY KARDOS BURTON**  
(Elected member)

Mary Kardos Burton is a former Assistant Deputy Minister in the Ontario government with the Ministry of Health and Long-Term Care. She also held executive positions with the Ministry of Community and Social Services. Mary has held various consulting assignments in health and social services including Chair of Built Environment Standards for the Accessibility Directorate of Ontario and Interim Vice-President for Health Quality Ontario. In addition, she served as a public member for the College of Registered Psychotherapists and as Chair of the Board for Belmont House, a long-term care and retirement home. Mary is a graduate of the Rotman-ICD NFP Governance Essentials Program.



**DAVID STIMAC**  
(Appointed member)

President of the Ironstone Building Company Inc. and Talu Properties Inc. Past president of the London Home Builders Association and served on the Board of Directors of the Ontario Home Builders' Association and the Canadian Home Builders' Association. David also holds an MBA from the University of Windsor.



**VIRGINIA WEST**  
(Elected member)

Virginia West is a former Deputy Minister in the Ontario government serving in five successive portfolios over a twelve-year period, which included the Solicitor General, Public Safety and Security, Environment, Labour, and Natural Resources. She has also held leadership positions at the municipal level of government as Commissioner of City Property for the City of Toronto, Chief Administrative Officer for the Borough of East York, and the first Commissioner of Urban Planning and Development for the amalgamated City of Toronto. Virginia is also the Chair of the Board at the Ontario Motor Vehicle Industry Council and a member of the Board of Directors of the Canadian Red Cross. Until June 2021 Virginia was a Board Director and Vice-Chair of Unity Health Toronto.



**TERENCE YOUNG**  
(Appointed member)

Terence Young is the President of Gravitas Strategies, a strategic communications firm. He has 30 years' experience in the private sector, and served as Board Member and adjudicator for the Alcohol and Gaming Commission. Terence served as an elected Member of the Ontario Legislature from 1995 until 1999, as Parliamentary Assistant to the Minister of Finance, and Colleges and Universities, and also served as a Federal Member of Parliament from 2008 to 2015 where he conceived, and galvanized Parliament to pass Vanessa's Law: The Protecting Canadians from Unsafe Drugs Act. Terence also holds an ICD.D designation.



## Board Competency Criteria

The HCRA's Board must meet a set of competencies, which are outlined in Schedule C of the HCRA's Administrative Agreement with the Minister of Government and Consumer Services (now the Minister of Public and Business Service Delivery). Each Board member brings unique skills and experience that complement other Board members and collectively support the Board's ability to provide strategic leadership. Basic qualifications for the Board as a whole include:

- Financial oversight and risk management
- Governance and strategic planning
- Government, licensing and regulatory experience
- Home building sector knowledge
- Consumer protection knowledge
- Human resources, diversity and accessibility experience
- Marketing and communications experience



## Board Committees

### Governance, People and Culture Committee

Mary Kardos Burton (Chair), Eric DenOuden, Rinku Deswal, Hugh Heron, Marg Rappolt (ex officio)

The purpose of the Governance, People and Culture Committee is to assist the Board by providing direction and oversight of governance issues and ensuring that appropriate policies, processes and structures necessary for effective Board direction and oversight of the HCRA are in place.

### Finance, Audit and Risk Committee

Av Maharaj (Chair), David Stimac, Virginia West, Terence Young, Marg Rappolt (ex officio)

The purpose of the Finance, Audit and Risk Committee is to assist the Board in meeting its duties with respect to financial oversight, business planning and enterprise risk management. This includes review of financial plans, revenue strategies and budgets as well as oversight of information technology.

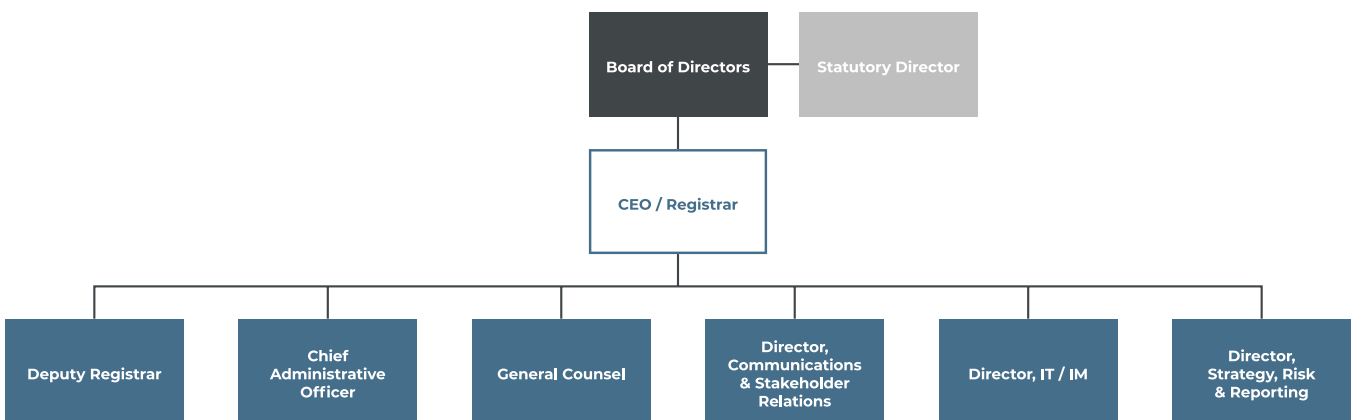
### Code of Conduct for Board Members

The Board adopted a Code of Conduct that has been posted publicly on the HCRA's website and forms part of the HCRA's Administrative Agreement. The Code governs the conduct of the Board and sets out guidelines for avoiding and disclosing conflicts of interest and keeping information confidential.

### Corporate Structure

The HCRA operates using a hybrid model with staff working primarily remotely and in-person to promote collaboration and teamwork. HCRA staff work full-time in licensing, complaints, enforcement, and information roles or in roles that directly support the delivery of these functions. HCRA staff make up a high-performing workforce with the technical and professional skills needed to fulfill the HCRA's mandate while upholding the HCRA's values.

This allows the HCRA to deliver its regulatory mandate under the NHCLA and is consistent with the best practices of a modern regulator.



# FINANCIAL REPORT

## MANAGEMENT DISCUSSION AND ANALYSIS

The HCRA is a private, not-for-profit corporation without share capital that was designated by the Minister of Government and Consumer Services (now Minister of Public and Business Service Delivery) on February 1, 2021.

The following management discussion and analysis provides supplementary information for stakeholders and other readers of the financial statements of the HCRA for the financial year ended March 31, 2023. The analysis should be read in conjunction with the audited financial statements for the year ended March 31, 2023, prepared in accordance with the Canadian Accounting Standards for not-for-profit organizations.

### Revenues

Operating revenues for the fiscal year ended March 31, 2023 derived primarily from funding received from new licence and renewal fees, a per unit oversight fee, and an investigation recovery fee. Other income revenue includes interest earned, which is recognized as it is earned.

The revenue details for fiscal year 2022-2023 and fiscal year 2021-2022 are as follows:

Category	2023	2022
Per unit oversight fees	10,780,839	9,761,346
New licensing and renewal fees	4,808,775	5,612,028
Other	483,634	25,483
Amortization of deferred capital contributions	373,328	373,328
Investigation recovery	323,477	375,000
Tarion Warranty Corporation funding for operations	-	1,140,130

### Expenses

The total operational expenses were \$11,282,982 for fiscal year 2022-2023 compared to \$9,520,441 for fiscal 2021-2022.

Category	2023	2022
Human resources	6,932,346	5,254,437
Information technology	1,051,347	1,492,038
Financial services	784,100	823,916
Amortization of capital assets	591,981	473,547
Legal services	500,865	314,544
Consulting services	487,849	416,988
Office space	441,424	456,399
General and administrative	297,554	158,757
Board expenses	195,516	129,815



**Net Assets**

For 2022-23, the excess of revenues over expenses arrived at \$5,487,071, resulting in a final closing net asset balance of \$13,945,494.





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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Home Construction Regulatory Authority

### Opinion

We have audited the financial statements of Home Construction Regulatory Authority (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

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

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

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

### Other Information

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

- the information, other than the financial statements and the auditor’s report thereon, included in the Annual Report 2022-2023.



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

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

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report 2022-2023 as at the date of this auditor's report.

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

We also:

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



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

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada



## Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 13,493,759	\$ 9,536,059
Accounts receivable	458,767	315,021
Prepaid expenses	434,386	270,691
	<b>14,386,912</b>	<b>10,121,771</b>
Tangible capital assets (note 2)	406,612	431,400
Intangible capital assets (note 2)	4,292,044	3,475,465
	<b>\$ 19,085,568</b>	<b>\$ 14,028,636</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 1,132,480	\$ 1,189,291
Deferred revenue (note 4(b))	907,778	907,778
Loan payable (note 5)	792,465	792,465
	<b>2,832,723</b>	<b>2,889,534</b>
Deferred capital contributions (note 4(c))	2,307,351	2,680,679
	<b>2,307,351</b>	<b>2,680,679</b>
Net assets:		
Investment in tangible and intangible capital assets	2,391,305	1,226,186
Internally restricted operating reserve (note 4(a))	4,500,000	1,140,130
Unrestricted	7,054,189	6,092,107
	<b>13,945,494</b>	<b>8,458,423</b>
Economic dependence (note 6)		
Commitment (note 7)		
Financial risks (note 8)		
	<b>\$ 19,085,568</b>	<b>\$ 14,028,636</b>

See accompanying notes to financial statements.

On behalf of the Board:

**Marg Rappolt**  
Board Chair

**Av Maharaj**  
Chair of Finance, Audit and Risk Committee

## Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Per unit oversight fees	\$ 10,780,839	\$ 9,761,346
New licensing and renewal fees	4,808,775	5,612,028
Other	483,634	25,483
Amortization of deferred capital contributions (note 4(c))	373,328	373,328
Investigation recovery	323,477	375,000
Tarion Warranty Corporation funding for operations (note 4(a))	–	1,140,130
	<b>16,770,053</b>	<b>17,287,315</b>
Expenses:		
Human resources	6,932,346	5,254,437
Information technology	1,051,347	1,492,038
Financial services	784,100	823,916
Amortization of capital assets	591,981	473,547
Legal services	500,865	314,544
Consulting services	487,849	416,988
Office space	441,424	456,399
General and administrative	297,554	158,757
Board expenses	195,516	129,815
	<b>11,282,982</b>	<b>9,520,441</b>
<b>Excess of revenue over expenses</b>	<b>\$ 5,487,071</b>	<b>\$ 7,766,874</b>

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

				2023	2022	
	Investment in tangible and intangible capital assets	Internally restricted operating reserve (note 4(a))	Unrestricted	Total	Total	
Balance, beginning of year	\$ 1,226,186	\$ 1,140,130	\$ 6,092,107	\$ 8,458,423	\$ 691,549	
Excess of revenue over expenses	–	3,359,870	2,127,201	5,487,071	7,766,874	
Purchase of tangible and intangible capital assets	1,383,772	–	(1,383,772)	–	–	
Amortization of capital and intangible assets	(591,981)	–	591,981	–	–	
Amortization of deferred capital contributions	373,328	–	(373,328)	–	–	
<b>Balance, end of year</b>	<b>\$ 2,391,305</b>	<b>\$ 4,500,000</b>	<b>\$ 7,054,189</b>	<b>\$ 13,945,494</b>	<b>\$ 8,458,423</b>	

See accompanying notes to financial statements.

## Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 5,487,071	\$ 7,766,874
Items not involving cash:		
Amortization of tangible and intangible capital assets	591,981	473,547
Amortization of deferred capital contributions	(373,328)	(373,328)
Change in non-cash operating working capital:		
Accounts receivable	(143,746)	121,783
Prepaid expenses	(163,695)	27,995
Accounts payable and accrued liabilities	(56,811)	277,771
Deferred revenue	-	(750,000)
	<b>5,341,472</b>	<b>7,544,642</b>
Financing activities:		
Loan payable	-	292,465
Investing activities:		
Purchase of tangible and intangible capital assets	(1,383,772)	(1,112,766)
Increase in cash	3,957,700	6,724,341
Cash, beginning of year	9,536,059	2,811,718
<b>Cash, end of year</b>	<b>\$ 13,493,759</b>	<b>\$ 9,536,059</b>

See accompanying notes to financial statements.



# Notes to Financial Statements

Year ended March 31, 2023

The Home Construction Regulatory Authority (“HCRA”) is a private, not-for-profit corporation without share capital that was designated by the Government of Ontario as a regulatory authority on February 1, 2021. The licensing and compliance role was transferred from Tarion Warranty Corporation (“Tarion”) (predecessor). HCRA is designated under the New Home Construction Licensing Act, 2017 (“NHCLA”) to promote and protect public interest through public education and carrying out licensing and regulatory oversight of Ontario’s new home builders and vendors.

## 1. Significant accounting policies:

### a. Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations applied in Part III of the Chartered Professional Accountants of Canada Handbook.

### b. Revenue recognition:

The deferral method is applied to recognize revenue when earned in the year a performance obligation has been satisfied.

Tarion funding for operations is externally restricted and recognized as revenue under the terms of an agreement described in note 4(a) (the “Agreement”) up to the completion of the post doors open phase. Funding provided is earned in accordance with the Agreement, which requires utilization of the funds to establish an operating reserve for financial stability.

Capital contributions received in the build out period for the acquisition and development of capital assets are deferred and amortized on a straight-line basis at a rate that corresponds to the amortization rate of the related capital assets.

Licensing revenue is derived from builders and new home vendors applying for new licences or licence renewals. A fee is charged when the applications are submitted. The fees remitted for applications are non-refundable and are not contingent on issuing the licence. New licensing and renewal revenue is recognized at the time the fee is received with the corresponding application.

A regulatory oversight fee (per unit oversight fee) is charged for new home units enrolled with Tarion. Revenue is recognized in the year of enrolment.

Recoverable costs for joint investigations with Tarion are recorded as revenue in the year costs are incurred and services are rendered.

Investment income is recognized as revenue when earned.

### c. Expenses:

Expenses are recorded on an accrual basis in the year where goods were received or purchased services were performed.

### d. Financial instruments:

Acquisition of financial instruments are recorded at fair value. Equity instruments that





are quoted in an active market are carried at fair value. All other financial instruments are carried at original cost or amortized cost, unless management has elected for the instruments to be carried at fair value. HCRA has elected not to carry these investments at fair value.

Transaction costs are expensed as incurred for financial instruments carried at fair value. Other financial instruments carried at cost or amortized cost include transaction and financing costs that are amortized using the straight-line method.

Annually, financial assets are assessed for impairment at the end of the fiscal year. Monitoring and testing for impairments is performed to determine impact. Significant adverse changes in the expected amounts or timing of future cash flows from the financial asset are considered impairments.

In the event of a significant change, the carrying value of the financial asset is reduced to the highest of the present value of the expected future cash flows, the amount that could be realized from selling the financial asset, or the amount that would be realized from exercising rights to any collateral. If circumstances reverse in future years, the impairment is reversed to the extent of the fair value amount and not to exceed the initial carrying value.

e. Tangible and intangible capital assets:

Purchased tangible capital assets are recorded at cost and amortized when placed in service. Repairs and maintenance costs are charged to expenses. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset is no longer able to provide services, the carrying value is written down to its residual value and disposed of.

Intangible capital assets under development are capitalized and amortized when substantially completed and placed in service.

Capital assets are amortized over their estimated useful life on a straight-line basis as follows:

---

Tangible:	
Computer hardware	3 years
Leasehold improvements	Lease term
Office equipment	5 years
Intangible:	
IT infrastructure software	10 years

---

f. Use of estimates:

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



## 2. Tangible and intangible capital assets:

Tangible capital assets comprise the following assets as at March 31:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 261,087	\$ 159,412	\$ 101,675	\$ 61,512
Leasehold improvements	314,072	93,306	220,766	260,025
Office equipment	163,192	79,021	84,171	109,863
	<b>\$ 738,351</b>	<b>\$ 331,739</b>	<b>\$ 406,612</b>	<b>\$ 431,400</b>

Intangible capital assets consist of IT infrastructure software applications developed or enhanced internally.

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
IT infrastructure software	\$ 5,143,362	\$ 851,318	\$ 4,292,044	\$ 3,475,465

## 3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$82,947 (2022 - \$427,538) relating to federal and provincial sales taxes.

## 4. Tarion funding:

### a. Purpose of funding:

On May 31, 2019, and amended on November 25, 2020, HCRA and Tarion entered into the Agreement that provides for three stages of funding, start-up, build-out and post doors open. Funds received are intended for the development of operating systems, establishing business processes, building an operating reserve and provide contingency funding.

The funding for operations is externally restricted and recognized as revenue under the terms of the Agreement up to the completion of the post doors open phase. During the post doors open (third) phase, the remaining deferred revenue funds from prior phases will be retained to establish an operating reserve for financial stability. During 2022, funding of \$1,140,130 was recognized as revenue (an amount of \$750,000 was recognized from previously deferred revenue and \$390,130 was a non-refundable grant received under the Agreement).

### b. Deferred revenue:

Deferred revenue represents Tarion funding received that relates to subsequent periods. The movements in deferred revenue during the year were:

	2023	2022
Balance, beginning of year	\$ 907,778	\$ 1,657,778
Less revenue recognized	-	750,000
<b>Balance, end of year</b>	<b>\$ 907,778</b>	<b>\$ 907,778</b>



c. Deferred capital contributions:

Deferred capital contributions represent Tarion funding used primarily in the development of IT infrastructure software, amongst other assets.

	2023	2022
Balance, beginning of year	\$ 2,680,679	\$ 3,054,007
Less amortization of deferred capital contributions	373,328	373,328
<b>Balance, end of year</b>	<b>\$ 2,307,351</b>	<b>\$ 2,680,679</b>

## 5. Loan payable:

Financial support for establishing an operating reserve is provided under the terms of the Agreement for the three-year period ending January 31, 2024. The first transfer payment was received in December 2020 for \$1,250,000 consisting of a grant component of \$750,000 and a repayable amount of \$500,000. The grant was recognized as revenue in the prior fiscal year (note 4(a)). The repayable amount is reported as a loan payable, due January 31, 2024, and is interest-free.

Repayment is dependent on achieving certain outcomes per the Agreement. The amount due will be calculated as the number of home enrolments in the calendar year 2023 exceeding 60,000 multiplied by \$145 to a maximum of \$500,000 without interest. Any amount not repayable will be recognized as revenue at maturity.

A funding amount of \$292,465, was received from Tarion in 2022 in accordance with the Agreement (bringing the total loan payable balance to \$792,465). A minimum enrolment support level of 14,000 per quarter is required under the Agreement. Any funds received are interest free and repayment is conditional on enrolment volumes. Repayment of the principal amount will be required if the average number of new home enrolments exceeds 56,000 in each calendar year from 2021 - 2023 and an operating reserve of \$4,500,000 is achieved.

## 6. Economic dependence:

Ongoing financial support during the three-year period of post doors open up to January 31, 2024 will be provided under the Agreement with Tarion. Funding is provided to establish an operating reserve and provide guarantees on new home enrolment volumes.

The variability in per unit oversight fees is contingent on the number of new home enrolments and is sensitive to general economic factors, market conditions, and the cyclical nature of new homes, as described in note 5. Tarion support provides a guarantee of 56,000 units per annum average for the three-year phase of post doors open. Actual volumes lower than the average over the term will release the requirement to repay the loans.

After the three-year period, internally managed operating reserves and fees collected under the authority of the NHCLA is expected for HCRA to operate as a self-funded going concern.



## 7. Commitment:

On December 13, 2019, HCRA signed a lease agreement with the landlord at 40 Sheppard Avenue West, Suite 400, Toronto, Ontario, M2N 6K9 until September 30, 2028. The commitment includes step-ups of base rent effective October 1, 2023 and October 1, 2025. The future base rentals are as follows:

2024	\$ 121,500
2025	129,000
2026	136,000
2027	143,000
2028	143,000
Thereafter	71,600

A component of the lease agreement includes additional rent charged. These expenses are a proportionate share of the property's common area maintenance expenses and recharges for services that may be directly used by a tenant in the year incurred. The obligation is not pre-set to specified amounts as the variability is based on consumption. It is not included as part of the above commitment table.

## 8. Financial risks:

HCRA does not believe it is exposed to significant interest rate risk or market risk. There is no change to the risk exposure from 2022, except as described in note 8(c).

### a. Liquidity risk:

Liquidity risk is the risk that HCRA will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Excess cash not required for short-term operational needs are surplus funds. From time to time, available funds are invested in risk-free, highly liquid financial instruments to earn interest income on secured principal balances. Financial instruments, including term deposits, guaranteed investment certificates and money market funds, are selected to manage market volatility and limit financial interest, credit, and cash flow exposure risks.

### b. Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. HCRA is exposed to credit risk with respect to the accounts receivable. HCRA assesses, on a continuous basis, accounts receivable, and provides for any amounts that are not collectible in the allowance for doubtful accounts. There are no amounts provided for 2023 (2022 - nil).

### c. General economic risk:

As most of the government imposed COVID 19 pandemic restrictions have been lifted, a purposeful use of office model has been implemented. HCRA continues to monitor emerging trends to make necessary changes.

HCRA financial performance is sensitive to general market conditions in new home construction and consumer behaviour. Management estimates and assumptions in the business model, and strategic priorities are based on economic and financial outlook. A provision is made for short-term inflationary pressures on variable cost of goods and services used. These pressures are considered temporary with expected easing in the upcoming fiscal year.





# Home Construction Regulatory Authority

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