

Annual Report

2021-2022



Home
Construction
Regulatory
Authority

CONTENTS

INTRODUCTION	1
THE YEAR IN NUMBERS	2
CORPORATE OVERVIEW	3
MESSAGE FROM THE CHAIR OF THE BOARD	4
MESSAGE FROM THE CEO AND REGISTRAR	5
BACKGROUND	6
REPORT ON PERFORMANCE	7
CORPORATE GOVERNANCE	12
FINANCIAL REPORT	17





INTRODUCTION

The Home Construction Regulatory Authority (HCRA) is an administrative authority designated by the Government of Ontario under the New Home Construction Licensing Act, 2017 (NHCLA) to regulate and license Ontario’s new home builders and vendors. The HCRA is a self-funded not-for-profit corporation without share capital.

The HCRA’s Annual Report completes its 2021-2022 business cycle by reporting on the priorities outlined in the 2021-2022 Business Plan. The HCRA is reporting on its activities from April 1, 2021 to March 31, 2022, which was the first full year of operations.



THE YEAR IN NUMBERS

April 1, 2021 to March 31, 2022

7,760

Licence applications received

1,223 New licence applications

6,537 Renewal applications

Number of Licensees on March 31, 2022 **6,383**

Inbound phone calls **19,349**

Builder Directory searches **352,721**

Website views **568,596**

808

Complaints received

269

Complaints against unlicensed builders

539

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. It provides educational information and resources for consumers, including the Ontario Builder Directory (Builder Directory), the authoritative source of information about Ontario's home builders and vendors. The HCRA serves to enhance consumer confidence in one of the biggest purchases of their lives — a new home.

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 ensures 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



Virginia West

When the Home Construction Regulatory Authority launched in February of 2021, it was the culmination of many months of preparation – and anticipation. Looking back now on our first full year of operation, I feel a sense of fulfillment, as the organization quickly established itself as a proficient, responsible overseer of Ontario’s home building sector.

All of this was accomplished under difficult circumstances. As if launching and implementing a new regulator was not challenging enough, we did it under the constraints of the COVID-19 pandemic.

There were some challenges, to be sure, as the HCRA took on a brand new role as the licensing body for a very large industry. Throughout the year, the HCRA team worked diligently to identify and address concerns and create a strong foundation for the future.

I want to thank the HCRA staff for their dedication, determination, and courage in getting the organization off to a great start.

I also want to thank Tarion for helping ensure a smooth transition to this new structure. Tarion continues to be responsible for warranties, including enrolling homes in the warranty program, along with working with home buyers to address concerns about the construction of their home and any defects.

Perhaps the most significant milestone in Year One was the appointment of Wendy Moir as the HCRA’s CEO and Registrar. Alongside the Senior Leadership Team, Wendy has skillfully led the HCRA through many firsts.

Consumers know we are here to support them, providing helpful resources for home buyers and instilling consumer confidence in the industry.

Builders and vendors appreciate the need for high professional standards and a level playing field. They applaud the HCRA’s efforts to curtail illegal and unethical competition.

In its first year, the HCRA made great strides in improving the high standards Ontarians expect from home builders and vendors while ensuring bad actors are held accountable.

This is a new era in home building industry oversight. The HCRA Board is proud of what the HCRA has accomplished to date and confident about many more successes in the years ahead.

Virginia West

Chair of the Board of Directors



MESSAGE FROM THE CEO AND REGISTRAR



Wendy Moir

Ontario's home building industry is bigger than ever, which underscores the need for the HCRA and its enforcement tools to ensure new home buyers are treated fairly.

Our commitment to high professional standards in the home building sector is supported by a new Code of Ethics and a formal discipline process – key milestones in our first year. Builders and vendors now have clear standards for their conduct, which the HCRA is actively enforcing. New home buyers should have confidence in their builder's skill and integrity.

Other highlights from the HCRA's first year of operation include:

- Completing the onboarding of the final three Board Members, bringing the Board of Directors to full strength.
- Laying charges for the first time, including for selling homes without a licence. We do not relish laying charges, but we have made it clear that builders or vendors who operate illegally or below our expectations will have to answer for it.
- Enhancing the Builder Directory, the authoritative source of information about Ontario's new home builders and vendors.
- Establishing the HCRA's first [3-Year Strategic Plan](#), for the 2022-2025 period.

The Strategic Plan sets out a clear and structured path to support the HCRA on achieving its mandate.

- Appointing the first Consumer Advisory Council and Industry Advisory Council and meeting with the Councils regularly throughout the year for valuable feedback and input on our services and initiatives.
- Maintaining a strong working relationship with Tarion. While the HCRA is separate and independent, both organizations have responsibilities in the home building sector, and we have mutual goals of building trust and confidence throughout the industry. We continue to work cooperatively, including sharing information and meeting with stakeholders.

As we move forward from our first year, we are confident we have the right balance: a fair licensing process for builders and vendors who perform well, and enforcement actions against those who do not. Now we will build on this success and work with consumers, industry, government, Tarion, and other partners to ensure that Ontario continues to have a professional, well-managed new home building sector.

Wendy Moir
CEO and Registrar



BACKGROUND

Who We Are

The HCRA regulates new home builders and vendors in Ontario. We protect the public interest through a fair, safe, and informed marketplace where we hold licensed builders to professional standards, safeguard the public, and enhance consumer confidence in Ontario's home building industry.

In addition, we work to educate consumers to ensure they can make informed decisions and understand the benefits of Ontario's regulated home building sector.

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 and associated regulations.

What We Do

The HCRA provides the following services:

- **Licensing** – Setting and monitoring standards of professional qualifications and conduct; processing licence applications and renewals; managing the Builder Portal – a one-stop, 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.
- **Compliance and Enforcement** – Deterring illegal new home building and vending; making impartial decisions; investigating and prosecuting the most serious matters; issuing compliance orders.
- **Complaints and Professional Conduct** – Review and disposition of concerns raised about builder and vendor conduct through a fair, thorough, evidence-based process, including possible inspections and referral to the discipline process.

REPORT ON PERFORMANCE

Performance Measures

Performance measurement is a critical part of the HCRA's commitment to continuous improvement. Tracking a variety of statistical data will help the HCRA establish performance measures, which in turn will inform decisions at both a strategic and an operational level.

The HCRA is collecting the baseline data with which it will develop and establish its ongoing performance measures, listed below. Targets will be published in our next Business Plan based on the data collected this year.

Performance Measure	Baseline data collection
Average processing time for new licence applications	2022-2023 Annual Report
Average processing time for renewal licence applications	2022-2023 Annual Report
Percentage of complaints open	2022-2023 Annual Report
Percentage of complaints closed	2022-2023 Annual Report
Percentage of successful prosecutions	2022-2023 Annual Report
Percentage of successful appearances at Licensing Appeal Tribunal	2022-2023 Annual Report
Level of web traffic to the Builder Directory	2022-2023 Annual Report
Average wait time to respond to incoming phone calls	2022-2023 Annual Report

Transitioning to Steady State

The HCRA's 2021-2022 Business Plan laid out a roadmap to transition the HCRA from start-up, through its first year of operations, and then on to a steady state of operations in subsequent years. Much of the work the HCRA did in its first year focused on completing the work to transition regulatory responsibilities from Tarion and implement the provisions of the NHCLA.

In 2021-2022, the HCRA focused on three priority objectives:

- 1. Consumer Protection** – protecting the public interest by regulating a fair, safe, and informed new home construction sector.
- 2. Enhanced Accountability and Engagement** – the right governance, accountability, and engagement to ensure the HCRA is well-directed, transparent, and understood.
- 3. Consolidating the Licensing Function** – refining processes to limit the disruption to new home buyers as well as new home builders and vendors.

These priority objectives informed the decisions the HCRA made to support its governance model and deliver its primary services.

Governance

The HCRA is governed by a nine-person Board of Directors. The Board remained active in 2021-2022 by approving a number of key elements to support its oversight responsibilities:

- Approval of the HCRA's [3-year Strategic Plan](#), which will guide the operational decision-making of the organization.
- Appointment of three Board Committees: Finance, Audit, and Risk; Governance, People, and Culture; and the CEO



Performance Management Committee. Each Board member serves on at least one of these committees.

- Implementation of the Enterprise Risk Management Framework to identify and mitigate regulatory and operational risks.
- Appointment of the HCRA’s Discipline and Appeals Committees to adjudicate matters referred by the Registrar and, where necessary, levy penalties or hear appeals.
- Appointment of the Industry Advisory Council and the Consumer Advisory Council to provide insight and advice to the Board. Each Council met four times in 2021-2022.

- “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.

In 2021, the HCRA received 30% more licence applications than the average of the previous five years. The increased number of applications resulted in slower-than-expected processing times. This led the HCRA to review its internal licensing processes to find efficiencies and speed up expected processing times.

Licensing

The HCRA processes three types of licence application:

- “new” for a new licence-holder with no corporate history as a licensee;
- “new umbrella” for a new licence where the applicant shares at least one principal, officer, director, or partner with another licensed builder or vendor; and

In addition to the day-to-day licensing work, the HCRA also issued [Advisory 9: “Competency and Conduct of Licensee’s Employees and Contractors”](#), which addressed the ways in which the HCRA approaches the competency and conduct of Site Supervisors and other employees.

Education



5
webinars and
virtual events



4,242+
webinar
attendees



943
new social media
followers



16
e-newsletter
campaigns



58,473
e-newsletter
distributions



31,626
average monthly
Builder Directory searches

April 1, 2021, to March 31, 2022



The HCRA hosts the Builder Directory, which is the authoritative source information about builders and vendors in Ontario. People use the Builder Directory primarily to search for information about a specific builder. In 2021-2022, the HCRA saw an average of 31,626 searches a month on the Builder Directory. The Builder Directory also enables users to confirm that their new home is enrolled with Tarion and under warranty. This information is provided to the HCRA by Tarion.

The HCRA also engaged in several public-facing initiatives to help increase awareness about the HCRA and its services. In addition to regular media outreach (including responses to media inquiries), the HCRA conducted and participated in a series of webinar and virtual events in 2021-2022 to educate builders on their responsibilities under the new regulatory framework.

At the same time, the HCRA began consulting on the Builder Directory to help improve the consumer experience. Early changes to the Builder Directory as a result of these consultations include the addition of charges laid by the Registrar or Tarion, publishing Compliance Orders, and permitting a new search feature based on the name a builder does business as rather than only the builder's legal name.

Complaints, Professional Conduct, Compliance, and Enforcement

The HCRA has two types of complaint process: complaints about vendors or builders and complaints about the HCRA.

Complaints about vendors or builders:

A complaint is “received” when a person submits a complaint through the HCRA’s formal complaint process. Generally, this means submitting the complaint in writing to the HCRA complaints email address. The HCRA received 808 complaints through this process in 2021-2022.

The HCRA accepts complaints about licensed builders as well as non-licensed – or illegal – builders.

Once received, a complaint is “open” until the HCRA takes a regulatory action or determines that the complaint is not within the HCRA’s jurisdiction.

A complaint is “closed” when the HCRA takes a regulatory action or determines that the complaint is not within the HCRA’s jurisdiction.

The complaint is then assigned to a member of the compliance team for action.

Most complaints about licensees follow a similar process:

1. Contact the complainant to gather additional information or to clarify the complaint.
2. Contact the licensee, requesting information about the complaint.
3. Follow up with each party to clarify information as needed.
4. Determine what remedies, if any, might be available to address the situation.
5. Take action and close the complaint.

Complaints can have a number of different outcomes, including:

- Resolved without further action required (e.g. the parties resolved the issues independently)
- Warning letters
- Education requirement
- Advertising Order
- Conditions on a Licence
- Referral to Discipline Committee
- Suspending or revoking a licence

When the HCRA compliance team is collecting information, they may choose to start an “inspection”, if the matter is about a licensee’s conduct.

The compliance team may also conduct an “investigation” if the HCRA believes that a



licensed or unlicensed vendor/builder has committed an offence under the NHCLA. Approximately 10% of all complaints received resulted in an investigation. Many of the investigations in the first part of the year were matters transferred from Tarion to the HCRA.

The HCRA laid its first charges under the complaints process on August 4, 2021. The matter was not resolved in 2021-2022.

Similarly, the HCRA also issued its first Compliance Order on December 23, 2021. The licensee came into compliance in 2021-2022.

The HCRA's complaints process is not only supported by the legislative framework in the NHCLA, it is also supported by the Code of Ethics, which came into effect in July 2021. The Code of Ethics establishes a formal discipline process for licensees, and the HCRA began to operationalize its requirements through the appointment of the Discipline and Appeals Committees, offering education through webinars, and by updating the HCRA's Guide to Good Conduct.

The HCRA also provides guidance through a series of Directives and Advisories, which lay out the HCRA's expectations for licensee behaviour in a variety of situations. These Directives and Advisories may be issued at any time, including as a response to inquiries from the public, licensees, or media reports.

Complaints about the HCRA:

Members of the public may also wish to submit a complaint about the ways in which the HCRA delivers its services. Under the HCRA's "[Complaints about the HCRA](#)" policy, 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 each complaint, as necessary. The Complaints Officer submits their 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 2021-2022, the HCRA did not receive any complaints under this policy.

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

On April 1, 2021, amendments to the General Regulation under the New Home Construction Licensing Act, 2017 came into force, requiring the Registrar to post additional information on the Builder Directory: conditions on a licence to which an applicant or licensee consents; conditions on a licence that the Registrar applies; and conditions on a licence that the Licence Appeal Tribunal orders.

On July 1, 2021, a Code of Ethics under the New Home Construction Licensing Act, 2017 became effective and with it, the HCRA established both a Discipline Committee and Appeals Committee. These committees were established to hear cases referred to them by the Registrar where licensees are alleged to have failed to comply with the Code of Ethics.

Policies

Corporate policies have been developed to guide the organization's decision-making. These policies are Board-approved and are publicly available for viewing on the HCRA website.

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 2021-2022, 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 is 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 164 inquiries on its French-speaking phone lines in 2021-2022.

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 Report
- Code of Professionalism for Compliance and Enforcement Staff
- Expense Policy
- Procurement Policy
- Business Plan (2021-22 and 2022-23)
- 2022-2025 Strategic Plan and its summary
- Licence renewal instructions and application

The HCRA translated more than 30 of these publicly-available documents in 2021-2022.



CORPORATE GOVERNANCE

The HCRA is governed by a nine-person Board of Directors, consisting of six elected members and three members appointed by the Minister of Public and Business Service Delivery. The HCRA's Board of Directors is responsible for providing strategic leadership to the HCRA.

The HCRA's Board is comprised of the following members:

VIRGINIA WEST *CHAIR*



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.

MARG RAPPOLT *VICE-CHAIR*

Marg Rappolt is a former Deputy Minister in the Ontario government. She has over 35 years of public sector experience working in two provincial administrations: Ontario and Saskatchewan. Marg has a diverse portfolio previously working as the Deputy Minister of Community and Social Services and has held other executive leadership positions in the ministries of Health and Long-Term Care, Health Promotion, Seniors, Aboriginal Affairs and Ministry of the Attorney General. In addition to serving as Vice-Chair of the HCRA Board of Directors, Marg also currently chairs the Board of Trustees of the Holland Bloorview Kids Rehabilitation Hospital.





ERIC DENOUDEN

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

Rinku Deswal is a lawyer and the owner of RD Law Professional Corporation. She has 18 years of litigation experience. Rinku has appeared before the trial courts of Ontario and tribunals on various types of matters. Rinku has been invited to speak at various forums, including the Law Society of Ontario and the Faculty of Law – University of New Brunswick. 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.



HUGH HERON

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. 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

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.



AV MAHARAJ

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, Corporate Affairs and HR 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.



DAVID STIMAC

David Stimac is the President of the Ironstone Building Company Inc. and Talu Properties Inc. David previously served as the 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.





TERENCE YOUNG

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 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

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), Marg Rappolt, David Stimac, Terence Young

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.



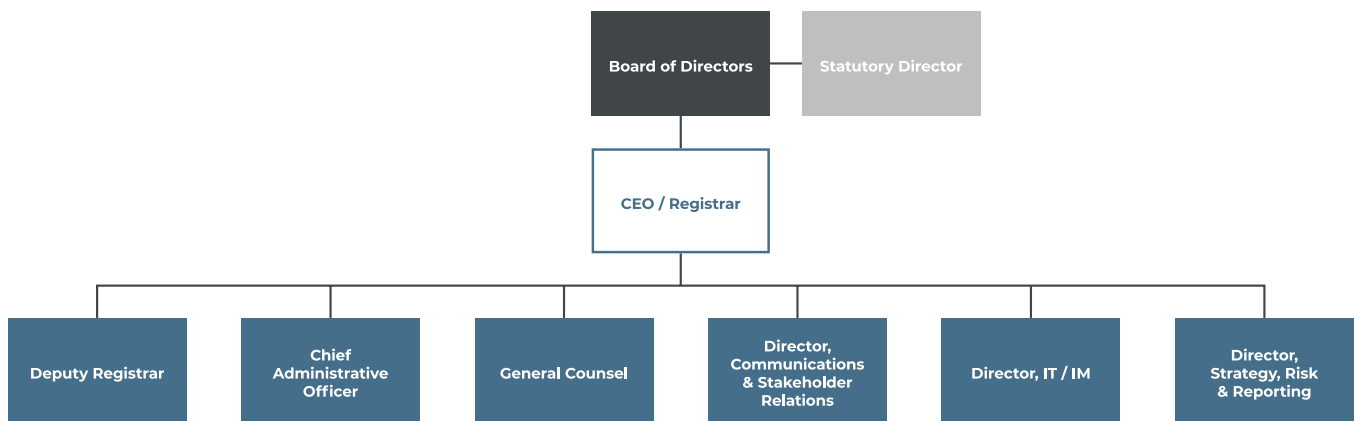
Code of Conduct for Board Members

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 with a lean organizational structure and service delivery model funded by licensing and regulatory oversight fees. HCRA staff work full time in licensing, compliance, 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 consistent with the best practices of a modern regulator.



FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

The Home Construction Regulatory Authority (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 Home Construction Regulatory Authority (HCRA) for the financial year ended March 31, 2022. The analysis should be read in conjunction with the audited financial statements for the year ended March 31, 2022, prepared in accordance with the Canadian Accounting Standards for not-for-profit organizations.

Revenues

Operating revenues for the fiscal year ended March 31, 2022 derived primarily from funding received from Tarion Warranty Corporation, 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 2021-2022 and fiscal year 2020-2021 are as follows:

Category	2022	2021
Tarion Warranty Corporation funding for operations	1,140,130	7,427,285
New licensing and renewal fees	5,612,028	918,006
Per unit oversight fees	9,761,346	1,061,620
Investigation recovery	375,000	-
Other income	25,483	45,077
Amortization of deferred capital contributions	373,328	108,526

Expenses

The total operational expenses were \$9,520,441 for fiscal year 2021-2022 compared to \$8,868,965 for fiscal 2020-2021.

Category	2022	2021
Human Resources	5,254,437	3,305,944
Consulting Services	416,988	786,825
Information Technology	1,492,038	3,446,838
Office space	456,399	461,705
Legal services	314,544	253,220
Board Expenses	129,815	152,288
Financial services	823,916	320,425
General and administrative	158,757	33,194
Amortization of capital assets	473,547	108,526

Net Assets

The excess of revenues over expenses arrived at \$7,766,874 in fiscal year 2021-2022 mainly due to revenue recognized through the commencement of operations. The final closing net asset balance was \$8,458,423.

As a delegated administrative authority, the HCRA's principal objective is to manage these net assets in a manner that allows the organization to continue meeting the administrative agreement requirements agreed upon with the Ministry. Furthermore, the net assets amount includes \$1,140,130 towards the establishment of an operating reserve for financial stability.





KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

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, 2022
- 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, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

KPMG Canada provides services to KPMG LLP.



Other Information

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

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2021-2022.

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 auditors' report thereon, included in the Annual Report 2021-2022 as at the date of this auditors' report.

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



We also:

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
July 28, 2022



Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 9,536,059	\$ 2,811,718
Accounts receivable	315,021	436,804
Prepaid expenses	270,691	298,686
	10,121,771	3,547,208
Tangible capital assets (note 2)	431,400	541,494
Intangible capital assets (note 2)	3,475,465	2,726,152
	\$ 14,028,636	\$ 6,814,854
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 1,189,291	\$ 911,520
Deferred revenue (note 4(b))	907,778	1,657,778
	2,097,069	2,569,298
Deferred capital contributions (note 4(c))	2,680,679	3,054,007
Loan payable (note 5)	792,465	500,000
	3,473,144	3,554,007
Net assets:		
Investment in tangible and intangible capital assets	1,226,186	213,639
Internally restricted operating reserve (note 4(a))	1,140,130	–
Unrestricted	6,092,107	477,910
	8,458,423	691,549
Economic dependence (note 6)		
Commitment (note 7)		
Financial risks (note 8)		
	\$ 14,028,636	\$ 6,814,854

See accompanying notes to financial statements.

On behalf of the Board:

Virginia West
Board Chair

Av Maharaj
Chair of Finance, Audit and Risk Committee



Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Tarion Warranty Corporation funding for operations (note 4(a))	\$ 1,140,130	\$ 7,427,285
Amortization of deferred capital contributions (note 4(c))	373,328	108,526
New licensing and renewal fees	5,612,028	918,006
Per unit oversight fees	9,761,346	1,061,620
Investigation recovery	375,000	-
Other income	25,483	45,077
	17,287,315	9,560,514
Expenses:		
Human resources	5,254,437	3,305,944
Consulting services	416,988	786,825
Information technology	1,492,038	3,446,838
Office space	456,399	461,705
Legal services	314,544	253,220
Board expenses	129,815	152,288
Financial services	823,916	320,425
General and administrative	158,757	33,194
Amortization of capital assets	473,547	108,526
	9,520,441	8,868,965
Excess of revenue over expenses	\$ 7,766,874	\$ 691,549

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

				2022	2021
	Investment in tangible and intangible capital assets	Internally restricted operating reserve (note 4(a))	Unrestricted	Total	Total
Balance, beginning of year	\$ 213,639	\$ -	\$ 477,910	\$ 691,549	\$ -
Excess of revenue over expenses	-	1,140,130	6,626,744	7,766,874	691,549
Purchase of tangible and intangible capital assets	1,112,766	-	(1,112,766)	-	-
Amortization of capital and intangible assets	(473,547)	-	473,547	-	-
Amortization of deferred capital contributions	373,328	-	(373,328)	-	-
Balance, end of year	\$ 1,226,186	\$ 1,140,130	\$ 6,092,107	\$ 8,458,423	\$ 691,549

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 7,766,874	\$ 691,549
Items not involving cash:		
Amortization of tangible and intangible capital assets	473,547	108,526
Amortization of deferred capital contributions	(373,328)	(108,526)
Change in non-cash operating working capital:		
Accounts receivable	121,783	(396,846)
Prepaid expenses	27,995	(160,171)
Accounts payable and accrued liabilities	277,771	67,440
Deferred revenue	(750,000)	(9,517,233)
	7,544,642	(9,315,261)
Financing activities:		
Additions to deferred capital contributions	–	2,839,948
Loan payable	292,465	500,000
	292,465	3,339,948
Investing activities:		
Proceeds from maturity of short-term investment	–	7,000,000
Purchase of tangible and intangible capital assets	(1,112,766)	(3,053,587)
	(1,112,766)	3,946,413
Increase (decrease) in cash	6,724,341	(2,028,900)
Cash, beginning of year	2,811,718	4,840,618
Cash, end of year	\$ 9,536,059	\$ 2,811,718

See accompanying notes to financial statements.



Notes to Financial Statements

Year ended March 31, 2022

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:

			2022		2021
	Cost	Accumulated amortization	Net book value		Net book value
Computer hardware	\$ 154,487	\$ 92,975	\$ 61,512	\$	100,958
Leasehold improvements	314,072	54,047	260,025		299,284
Office equipment	156,947	47,084	109,863		141,252
	\$ 625,506	\$ 194,106	\$ 431,400	\$	541,494

Expenditures during the year for computer hardware was \$10,909.

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

			2022		2021
	Cost	Accumulated amortization	Net book value		Net book value
IT infrastructure software	\$ 3,872,435	\$ 396,970	\$ 3,475,465	\$	2,726,152

IT infrastructure software expenditure during the year was \$1,101,857.

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$427,538 (2021 - \$1,372) 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 the current fiscal year, 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:

	2022	2021
Balance, beginning of year	\$ 1,657,778	\$ 11,175,011
Post doors open	-	1,250,000
	1,657,778	12,425,011
Less:		
Revenue recognized	750,000	7,427,285
Additions to deferred capital contributions (note 4(c))	-	2,839,948
Loan payable (note 5)	-	500,000
	750,000	10,767,233
Balance, end of year	\$ 907,778	\$ 1,657,778

c. Deferred capital contributions:

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

	2022	2021
Balance, beginning of year	\$ 3,054,007	\$ 322,585
Deferred capital contributions	-	2,839,948
Less amortization of deferred capital contributions	(373,328)	(108,526)
Balance, end of year	\$ 2,680,679	\$ 3,054,007

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 current 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 the current year 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:

2023	\$ 114,500
2024	121,500
2025	129,000
2026	136,000
2027	143,000
Thereafter	215,000

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 preset 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 2021, 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 (2021 - nil).

c. General economic risk:

As most of the government imposed COVID 19 pandemic strictions have been lifted, HCRA will begin to implement its return to office plans in a staggered manner. It has consulted with staff to ensure their views are included in the plans. HCRA will continue to monitor for emerging changes in the situation and make necessary changes as required.

The pandemic impact is expected to require a further evaluation and analysis on lasting implications to the business fundamentals. Market conditions of the new home construction industry, management estimations and assumptions in the business model, and strategic priorities will be assessed.

9. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.





Home Construction Regulatory Authority

hcraontario.ca

info@hcraontario.ca

40 Sheppard Avenue West, Fourth Floor, Suite 400

Toronto ON, M2N 6K9

Tel: 416-487-HCRA (4272) | Fax: 416-352-7724

photography credit: Shots by Winnie and stock imagery