SCANNED JUN 1 9 2012

Form **990**

Department of the Treasury
Internal Revenue Service

# Return of Organization Exempt From Income Tax

**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)**

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

**2011**

**Open to Public Inspection**

**A** For the 2011 calendar year, or tax year beginning January 1, 2011, and ending December 31, 20 11

**B** Check if applicable: ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending

**C** Name of organization: Tarion Warranty Corporation

Doing Business As

Number and street (or P O box if mail is not delivered to street address): 5160 Yonge Street — Room/suite: 12th Floor

City or town, state or country, and ZIP + 4: North York, Canada, M1P-5J4

**D** Employer identification number: 98-0197825

**E** Telephone number: 416 229-3800

**G** Gross receipts $ 51,418,183

**F** Name and address of principal officer: Howard Bogach

**H(a)** Is this a group return for affiliates? ☐ Yes ☑ No

**H(b)** Are all affiliates included? ☐ Yes ☐ No — If "No," attach a list. (see instructions)

**H(c)** Group exemption number ▶

**I** Tax-exempt status: ☐ 501(c)(3) ☑ 501(c) ( 4 ) ◄ (insert no.) ☐ 4947(a)(1) or ☐ 527

**J** Website: ▶ www.tarion.com

**K** Form of organization: ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

**L** Year of formation: 1976

**M** State of legal domicile:

## Part I Summary

**Activities & Governance**

1 Briefly describe the organization's mission or most significant activities: Tarion is responsible for administering the Ontario New Home Warranties Plan Act, which outlines the warranty protection that new home and condominium builders. The primary purpose of Tarion is to ensure that builders abide by this legislation and to step in to protect consumers when builders fail to fulfill their warranty obligations.

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

| | | | |
|---|---|---|---|
| 3 | Number of voting members of the governing body (Part VI, line 1a) | 3 | 16 |
| 4 | Number of independent voting members of the governing body (Part VI, line 1b) | 4 | 15 |
| 5 | Total number of individuals employed in calendar year 2011 (Part V, line 2a) | 5 | 220 |
| 6 | Total number of volunteers (estimate if necessary) | 6 | 0 |
| 7a | Total unrelated business revenue from Part VIII, column (C), line 12 | 7a | |
| b | Net unrelated business taxable income from Form 990-T, line 34 | 7b | |

| | | Prior Year | Current Year |
|---|---|---|---|
| **Revenue** | | | |
| 8 | Contributions and grants (Part VIII, line 1h) | | |
| 9 | Program service revenue (Part VIII, line 2g) | 32,087,747 | 36,212,790 |
| 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 14,014,258 | 15,205,393 |
| 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 602,733 | 0 |
| 12 | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 46,704,738 | 51,418,183 |
| **Expenses** | | | |
| 13 | Grants and similar amounts paid (Part IX, column (A), lines 1–3) | | |
| 14 | Benefits paid to or for members (Part IX, column (A), line 4) | | |
| 15 | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) | 23,879,604 | 24,022,941 |
| 16a | Professional fundraising fees (Part IX, column (A), line 11e) | | |
| b | Total fundraising expenses (Part IX, column (D), line 25) ▶ | | |
| 17 | Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) | -2,759,295 | 15,305,566 |
| 18 | Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25) | 21,120,309 | 39,328,507 |
| 19 | Revenue less expenses. Subtract line 18 from line 12 | 25,584,429 | 12,089,676 |

| | **Net Assets or Fund Balances** | Beginning of Current Year | End of Year |
|---|---|---|---|
| 20 | Total assets (Part X, line 16) | 357,556,835 | 377,657,961 |
| 21 | Total liabilities (Part X, line 26) | 202,237,565 | 217,158,578 |
| 22 | Net assets or fund balances. Subtract line 21 from line 20 | 155,319,270 | 160,499,383 |

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IRS-OSC

## Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature of officer

EDMOND LEE V.P & C[redacted]

Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name — Preparer's signature [redacted]

Firm's name ▶

Firm's address ▶

May the IRS discuss this return with the preparer shown above? (se[redacted]

**For Paperwork Reduction Act Notice, see the separate instructions.**

**Part III** **Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III . . . ☐

1 Briefly describe the organization's mission:

Regulator of the new home building industry in Ontario. Tarion licenses all new homes and condominum builders in the province and administer the New home warranty program to ensures that all new homeowners receive the New Home Warranty coverage entitled to by law.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code: 524298 ) (Expenses $ 19,535,897 including grants of $ ) (Revenue $ 32,891,452 )

Home Enrolment fees, and Conciliation Fees (from both New Homeowners and Builders)

Tarion ensures that all new homeowners receive the New Home Warranty Coverage that they are entitled to by law.

New home enrolment fees from home buyers in Ontario are invested and when required are used to settle claims from homeowners as a result of warranty breach by the builders, and operating expenses.

4b (Code: 524298 ) (Expenses $ 2,799,423 including grants of $ ) (Revenue $ 3,321,338 )

Builder Registration & Renewal Fees

All builders and vendors must be registered with Tarion in order to build or sell homes and condominiums legally in Ontario.

4c (Code: ) (Expenses $ including grants of $ ) (Revenue $ )

4d Other program services (Describe in Schedule O.)

(Expenses $ including grants of $ ) (Revenue $ )

4e **Total program service expenses** ▶ 22,335,320

**Part IV Checklist of Required Schedules**

| | | | Yes | No |
|---|---|---|---|---|
| 1 | Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A* | 1 | | ✓ |
| 2 | Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)? | 2 | | ✓ |
| 3 | Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I* | 3 | | ✓ |
| 4 | **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II* | 4 | | ✓ |
| 5 | Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III* | 5 | | ✓ |
| 6 | Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I* | 6 | | ✓ |
| 7 | Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II* | 7 | | ✓ |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III* | 8 | | ✓ |
| 9 | Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV* | 9 | | ✓ |
| 10 | Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V* | 10 | | ✓ |
| 11 | If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | | |
| a | Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI* | 11a | ✓ | |
| b | Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII* | 11b | | ✓ |
| c | Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII* | 11c | | ✓ |
| d | Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX* | 11d | | ✓ |
| e | Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X* | 11e | ✓ | |
| f | Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X* | 11f | | ✓ |
| 12a | Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII* | 12a | ✓ | |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional* | 12b | | ✓ |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E* | 13 | | ✓ |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | 14a | ✓ | |
| b | Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV.* | 14b | ✓ | |
| 15 | Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV* | 15 | | ✓ |
| 16 | Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV* | 16 | | ✓ |
| 17 | Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)* | 17 | | ✓ |
| 18 | Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II* | 18 | | ✓ |
| 19 | Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III* | 19 | | ✓ |
| 20a | Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H* | 20a | | ✓ |
| b | If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? | 20b | | ✓ |

**Part IV Checklist of Required Schedules** *(continued)*

| | | | Yes | No |
|---|---|---|---|---|
| 21 | Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II* | 21 | | ✓ |
| 22 | Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III* | 22 | | ✓ |
| 23 | Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J* | 23 | ✓ | |
| 24a | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25* | 24a | | ✓ |
| b | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | 24b | | |
| c | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | 24c | | |
| d | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | 24d | | |
| 25a | **Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I* | 25a | | ✓ |
| b | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I* | 25b | | ✓ |
| 26 | Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II* | 26 | | ✓ |
| 27 | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III* | 27 | | ✓ |
| 28 | Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions): | | | |
| a | A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV* | 28a | | ✓ |
| b | A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV* | 28b | | ✓ |
| c | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV* | 28c | | ✓ |
| 29 | Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M* | 29 | | ✓ |
| 30 | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M* | 30 | | ✓ |
| 31 | Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I* | 31 | | ✓ |
| 32 | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II* | 32 | | ✓ |
| 33 | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I* | 33 | | ✓ |
| 34 | Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1* | 34 | | ✓ |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)? | 35a | | ✓ |
| b | Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* | 35b | | ✓ |
| 36 | **Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2* | 36 | | ✓ |
| 37 | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI* | 37 | | ✓ |
| 38 | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O | 38 | ✓ | |

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response to any question in this Part V . . . ☑

| | | | | | Yes | No |
|---|---|---|---|---|---|---|
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable | 1a | 0 | | | |
| b | Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable | 1b | 0 | | | |
| c | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? | | | 1c | | |
| 2a | Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return | 2a | 0 | | | |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? | | | 2b | | |
| | **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions) | | | | | |
| 3a | Did the organization have unrelated business gross income of $1,000 or more during the year? | | | 3a | | ✓ |
| b | If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O* | | | 3b | | |
| 4a | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? | | | 4a | | ✓ |
| b | If "Yes," enter the name of the foreign country: ▶ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. | | | | | |
| 5a | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | | | 5a | | ✓ |
| b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | | | 5b | | ✓ |
| c | If "Yes" to line 5a or 5b, did the organization file Form 8886-T? | | | 5c | | |
| 6a | Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible? | | | 6a | | ✓ |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | | | 6b | | |
| 7 | **Organizations that may receive deductible contributions under section 170(c).** | | | | | |
| a | Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor? | | | 7a | | |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | | | 7b | | |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | | | 7c | | |
| d | If "Yes," indicate the number of Forms 8282 filed during the year | 7d | | | | |
| e | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | | | 7e | | |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | | | 7f | | |
| g | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | | | 7g | | |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | | | 7h | | |
| 8 | **Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | | | 8 | | |
| 9 | **Sponsoring organizations maintaining donor advised funds.** | | | | | |
| a | Did the organization make any taxable distributions under section 4966? | | | 9a | | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | | | 9b | | |
| 10 | **Section 501(c)(7) organizations.** Enter: | | | | | |
| a | Initiation fees and capital contributions included on Part VIII, line 12 | 10a | | | | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities | 10b | | | | |
| 11 | **Section 501(c)(12) organizations.** Enter: | | | | | |
| a | Gross income from members or shareholders | 11a | | | | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) | 11b | | | | |
| 12a | **Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041? | | | 12a | | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year | 12b | | | | |
| 13 | **Section 501(c)(29) qualified nonprofit health insurance issuers.** | | | | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? | | | 13a | | |
| | **Note.** See the instructions for additional information the organization must report on Schedule O. | | | | | |
| b | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans | 13b | | | | |
| c | Enter the amount of reserves on hand | 13c | | | | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | | | 14a | | |
| b | If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* | | | 14b | | |

**Part VI** **Governance, Management, and Disclosure** *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Check if Schedule O contains a response to any question in this Part VI . . . ☑

**Section A. Governing Body and Management**

| | | | Yes | No |
|---|---|---|---|---|
| 1a | Enter the number of voting members of the governing body at the end of the tax year . . 1a 16<br>If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O. | | | |
| b | Enter the number of voting members included in line 1a, above, who are independent . 1b 15 | | | |
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? | 2 | | ✓ |
| 3 | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? | 3 | | ✓ |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | | ✓ |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | | ✓ |
| 6 | Did the organization have members or stockholders? | 6 | ✓ | |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? | 7a | ✓ | |
| b | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? | 7b | ✓ | |
| 8 | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: | | | |
| a | The governing body? | 8a | ✓ | |
| b | Each committee with authority to act on behalf of the governing body? | 8b | ✓ | |
| 9 | Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O* | 9 | | ✓ |

**Section B. Policies** *(This Section B requests information about policies not required by the Internal Revenue Code.)*

| | | | Yes | No |
|---|---|---|---|---|
| 10a | Did the organization have local chapters, branches, or affiliates? | 10a | | ✓ |
| b | If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? | 10b | | |
| 11a | Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? | 11a | | ✓ |
| b | Describe in Schedule O the process, if any, used by the organization to review this Form 990. | | | |
| 12a | Did the organization have a written conflict of interest policy? *If "No," go to line 13* | 12a | ✓ | |
| b | Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | 12b | ✓ | |
| c | Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done* | 12c | | ✓ |
| 13 | Did the organization have a written whistleblower policy? | 13 | ✓ | |
| 14 | Did the organization have a written document retention and destruction policy? | 14 | ✓ | |
| 15 | Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? | | | |
| a | The organization's CEO, Executive Director, or top management official | 15a | ✓ | |
| b | Other officers or key employees of the organization<br>If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions). | 15b | ✓ | |
| 16a | Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? | 16a | | ✓ |
| b | If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? | 16b | | |

**Section C. Disclosure**

17 List the states with which a copy of this Form 990 is required to be filed ▶ n/a

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶ Tieu-Minh To, 5160 Yonge Street 12th Floor, Toronto, ON Canada 416-229-3825

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response to any question in this Part VII . . . . . . . . . . . . . . . ☑

**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

**1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

• List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

• List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.

• List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.

• List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee): Individual trustee or director | Institutional trustee | Officer | Key employee | Highest compensated employee | Former | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|---|---|---|---|---|---|---|---|---|---|---|
| (1) See Note #2 (list of Officers, etc) | | | | | | | | | | |
| (2) | | | | | | | | | | |
| (3) | | | | | | | | | | |
| (4) | | | | | | | | | | |
| (5) | | | | | | | | | | |
| (6) | | | | | | | | | | |
| (7) | | | | | | | | | | |
| (8) | | | | | | | | | | |
| (9) | | | | | | | | | | |
| (10) | | | | | | | | | | |
| (11) | | | | | | | | | | |
| (12) | | | | | | | | | | |
| (13) | | | | | | | | | | |
| (14) | | | | | | | | | | |

**Part VII** **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** *(continued)*

| (A) Name and title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) Individual trustee or director | Institutional trustee | Officer | Key employee | Highest compensated employee | Former | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|---|---|---|---|---|---|---|---|---|---|---|
| (15) | | | | | | | | | | |
| (16) | | | | | | | | | | |
| (17) | | | | | | | | | | |
| (18) | | | | | | | | | | |
| (19) | | | | | | | | | | |
| (20) | | | | | | | | | | |
| (21) | | | | | | | | | | |
| (22) | | | | | | | | | | |
| (23) | | | | | | | | | | |
| (24) | | | | | | | | | | |
| (25) | | | | | | | | | | |
| **1b Sub-total** . . . ▶ | | | | | | | | 5,401,587 | | |
| **c Total from continuation sheets to Part VII, Section A** . . . ▶ | | | | | | | | | | |
| **d Total (add lines 1b and 1c)** . . . ▶ | | | | | | | | 5,401,587 | | |

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 42

| | | Yes | No |
|---|---|---|---|
| 3 Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual* | 3 | ✓ | |
| 4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual* | 4 | ✓ | |
| 5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person* | 5 | | ✓ |

**Section B. Independent Contractors**

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

| (A) Name and business address | (B) Description of services | (C) Compensation |
|---|---|---|
| Unlimited Building Solutions | Constuction Contractors | 1,864,913 |
| McDonnell Haynes Ltd | Branding / Advertising | 619,890 |
| Gowlings Lafleur Henderson LLP | Legal Services | 596,532 |
| Beutel Goodman & Company Ltd | Investment Management | 463,521 |
| ThoughtCorp | Technology Consultation | 430,486 |

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 29

**Part VIII Statement of Revenue**

| | | | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) Revenue excluded from tax under sections 512, 513, or 514 |
|---|---|---|---|---|---|---|---|
| **Contributions, Gifts, Grants and Other Similar Amounts** | 1a | Federated campaigns | 1a | | | | |
| | b | Membership dues | 1b | | | | |
| | c | Fundraising events | 1c | | | | |
| | d | Related organizations | 1d | | | | |
| | e | Government grants (contributions) | 1e | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | | | | |
| | g | Noncash contributions included in lines 1a-1f $ | | | | | |
| | h | **Total.** Add lines 1a–1f ▶ | | | | | |
| **Program Service Revenue** | | | Business Code | | | | |
| | 2a | New Home Enrolment Fee, Conc Fee | 524298 | 32,891,452 | 32,891,452 | | |
| | b | Builder Reg and Renewal Fee | 524298 | 3,321,338 | 3,321,338 | | |
| | c | | | | | | |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | | | | |
| | g | **Total.** Add lines 2a–2f ▶ | | 36,212,790 | | | |
| **Other Revenue** | 3 | Investment income (including dividends, interest, and other similar amounts) ▶ | | 12,619,930 | 12,619,930 | | |
| | 4 | Income from investment of tax-exempt bond proceeds ▶ | | | | | |
| | 5 | Royalties ▶ | | | | | |
| | | | (i) Real / (ii) Personal | | | | |
| | 6a | Gross rents | | | | | |
| | b | Less: rental expenses | | | | | |
| | c | Rental income or (loss) | | | | | |
| | d | Net rental income or (loss) ▶ | | | | | |
| | | | (i) Securities / (ii) Other | | | | |
| | 7a | Gross amount from sales of assets other than inventory | | | | | |
| | b | Less cost or other basis and sales expenses | | | | | |
| | c | Gain or (loss) | (i) 2,585,463 | | | | |
| | d | Net gain or (loss) ▶ | | 2,585,463 | 2,585,463 | | |
| | 8a | Gross income from fundraising events (not including $ of contributions reported on line 1c). See Part IV, line 18 a | | | | | |
| | b | Less: direct expenses b | | | | | |
| | c | Net income or (loss) from fundraising events ▶ | | | | | |
| | 9a | Gross income from gaming activities. See Part IV, line 19 a | | | | | |
| | b | Less: direct expenses b | | | | | |
| | c | Net income or (loss) from gaming activities ▶ | | | | | |
| | 10a | Gross sales of inventory, less returns and allowances a | | | | | |
| | b | Less: cost of goods sold b | | | | | |
| | c | Net income or (loss) from sales of inventory ▶ | | | | | |
| | | Miscellaneous Revenue | Business Code | | | | |
| | 11a | | | | | | |
| | b | | | | | | |
| | c | | | | | | |
| | d | All other revenue | | | | | |
| | e | **Total.** Add lines 11a–11d ▶ | | | | | |
| | 12 | **Total revenue.** See instructions ▶ | | 51,418,183 | 51,418,183 | | |

**Part IX Statement of Functional Expenses**

*Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)*

Check if Schedule O contains a response to any question in this Part IX . . . . . . . . . . . . . . . . ☐

| *Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.* | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
|---|---|---|---|---|
| 1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21 | | | | |
| 2 Grants and other assistance to individuals in the United States. See Part IV, line 22 | | | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16 | | | | |
| 4 Benefits paid to or for members | | | | |
| 5 Compensation of current officers, directors, trustees, and key employees | 4,066,920 | 1,380,899 | 2,686,021 | |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | | | | |
| 7 Other salaries and wages | 15,969,543 | 10,985,980 | 4,983,563 | |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) | 1,050,640 | 679,050 | 371,590 | |
| 9 Other employee benefits | 564,440 | 364,809 | 199,631 | |
| 10 Payroll taxes | 2,371,397 | 1,532,682 | 838,715 | |
| 11 Fees for services (non-employees): | | | | |
| a Management | 257,111 | 141,411 | 115,700 | |
| b Legal | 2,155,228 | 1,732,801 | 422,427 | |
| c Accounting | 184,599 | 0 | 184,599 | |
| d Lobbying | | | | |
| e Professional fundraising services See Part IV, line 17 | | | | |
| f Investment management fees | 1,065,654 | 0 | 1,065,654 | |
| g Other | 1,068,618 | 40,559 | 1,028,059 | |
| 12 Advertising and promotion | 835,169 | 410,751 | 424,418 | |
| 13 Office expenses | 1,065,752 | 394,933 | 670,819 | |
| 14 Information technology | 1,027,997 | 565,398 | 462,599 | |
| 15 Royalties | | | | |
| 16 Occupancy | 1,829,507 | 750,815 | 1,078,692 | |
| 17 Travel | 817,508 | 723,321 | 94,187 | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 Conferences, conventions, and meetings | 272,975 | 34,690 | 238,285 | |
| 20 Interest | 501,365 | 0 | 501,365 | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | 2,120,314 | 1,335,798 | 784,516 | |
| 23 Insurance | 194,904 | 0 | 194,904 | |
| 24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.) | | | | |
| a Warranty Claims (net claim reserve) | 1,021,248 | 1,021,248 | 0 | |
| b | | | | |
| c | | | | |
| d | | | | |
| e All other expenses | 887,617 | 240,175 | 647,443 | |
| 25 **Total functional expenses.** Add lines 1 through 24e | 39,328,507 | 22,335,320 | 16,993,187 | |
| 26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) | | | | |

## Part X Balance Sheet

| | | | | (A) Beginning of year | | (B) End of year |
|---|---|---|---|---|---|---|
| **Assets** | 1 | Cash—non-interest-bearing | | 2,174,542 | 1 | 2,484,591 |
| | 2 | Savings and temporary cash investments | | | 2 | |
| | 3 | Pledges and grants receivable, net | | | 3 | |
| | 4 | Accounts receivable, net | | 8,838,900 | 4 | 3,995,323 |
| | 5 | Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L | | | 5 | |
| | 6 | Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) | | | 6 | |
| | 7 | Notes and loans receivable, net | | | 7 | |
| | 8 | Inventories for sale or use | | | 8 | |
| | 9 | Prepaid expenses and deferred charges | | 463,138 | 9 | 382,233 |
| | 10a | Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D | 10a 7,399,367 | | | |
| | b | Less: accumulated depreciation | 10b 5,186,967 | 2,212,400 | 10c | 3,671,151 |
| | 11 | Investments—publicly traded securities | | 341,350,243 | 11 | 364,170,191 |
| | 12 | Investments—other securities. See Part IV, line 11 | | | 12 | |
| | 13 | Investments—program-related. See Part IV, line 11 | | | 13 | |
| | 14 | Intangible assets | | 2,517,612 | 14 | 2,954,472 |
| | 15 | Other assets. See Part IV, line 11 | | | 15 | |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | | 357,556,835 | 16 | 377,657,961 |
| **Liabilities** | 17 | Accounts payable and accrued expenses | | 8,187,401 | 17 | 10,294,546 |
| | 18 | Grants payable | | | 18 | |
| | 19 | Deferred revenue | | 118,444,456 | 19 | 138,032,984 |
| | 20 | Tax-exempt bond liabilities | | | 20 | |
| | 21 | Escrow or custodial account liability. Complete Part IV of Schedule D | | | 21 | |
| | 22 | Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L | | | 22 | |
| | 23 | Secured mortgages and notes payable to unrelated third parties | | | 23 | |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | | 24 | |
| | 25 | Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D | | 75,605,708 | 25 | 68,831,048 |
| | 26 | **Total liabilities.** Add lines 17 through 25 | | 202,237,565 | 26 | 217,158,578 |
| **Net Assets or Fund Balances** | | **Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.** | | | | |
| | 27 | Unrestricted net assets | | | 27 | |
| | 28 | Temporarily restricted net assets | | | 28 | |
| | 29 | Permanently restricted net assets | | | 29 | |
| | | **Organizations that do not follow SFAS 117, check here ▶ ☑ and complete lines 30 through 34.** | | | | |
| | 30 | Capital stock or trust principal, or current funds | | | 30 | |
| | 31 | Paid-in or capital surplus, or land, building, or equipment fund | | | 31 | |
| | 32 | Retained earnings, endowment, accumulated income, or other funds | | 155,319,270 | 32 | 160,499,383 |
| | 33 | Total net assets or fund balances | | 155,319,270 | 33 | 160,499,383 |
| | 34 | Total liabilities and net assets/fund balances | | 357,556,835 | 34 | 377,657,961 |

## Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . ☑

| | | | |
|---|---|---|---|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 51,418,183 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 39,328,507 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 12,089,676 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 155,319,270 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | -6,909,563 |
| 6 | Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)) | 6 | 160,499,383 |

## Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . ☐

| | | | Yes | No |
|---|---|---|---|---|
| 1 | Accounting method used to prepare the Form 990: ☐ Cash ☑ Accrual ☐ Other ______<br>If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O | | | |
| 2a | Were the organization's financial statements compiled or reviewed by an independent accountant? | 2a | | ✓ |
| b | Were the organization's financial statements audited by an independent accountant? | 2b | ✓ | |
| c | If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? | 2c | ✓ | |
| | If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O. | | | |
| d | If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both:<br>☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis | | | |
| 3a | As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? | 3a | | ✓ |
| b | If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits | 3b | | |

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

# Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization: Tarion Warranty Corporation
Employer identification number: 98-0197825

**Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.** Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

| | | (a) Donor advised funds | (b) Funds and other accounts |
|---|---|---|---|
| 1 | Total number at end of year | | |
| 2 | Aggregate contributions to (during year) | | |
| 3 | Aggregate grants from (during year) | | |
| 4 | Aggregate value at end of year | | |

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

**Part II Conservation Easements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
- ☐ Preservation of land for public use (e.g., recreation or education)
- ☐ Preservation of an historically important land area
- ☐ Protection of natural habitat
- ☐ Preservation of a certified historic structure
- ☐ Preservation of open space

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

| | | | Held at the End of the Tax Year |
|---|---|---|---|
| a | Total number of conservation easements | 2a | |
| b | Total acreage restricted by conservation easements | 2b | |
| c | Number of conservation easements on a certified historic structure included in (a) | 2c | |
| d | Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register | 2d | |

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ ____

4 Number of states where property subject to conservation easement is located ▶ ____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ ____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ ____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.** Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:
- (i) Revenues included in Form 990, Part VIII, line 1 ▶ $ ____
- (ii) Assets included in Form 990, Part X ▶ $ ____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:
- a Revenues included in Form 990, Part VIII, line 1 ▶ $ ____
- b Assets included in Form 990, Part X ▶ $

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other ____________

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? . . ☐ Yes ☐ No

**Part IV Escrow and Custodial Arrangements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? . . . ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

| | | | Amount |
|---|---|---|---|
| c | Beginning balance | 1c | |
| d | Additions during the year | 1d | |
| e | Distributions during the year | 1e | |
| f | Ending balance | 1f | |

2a Did the organization include an amount on Form 990, Part X, line 21? . . . ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV.

**Part V Endowment Funds.** Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

| | | (a) Current year | (b) Prior year | (c) Two years back | (d) Three years back | (e) Four years back |
|---|---|---|---|---|---|---|
| 1a | Beginning of year balance | | | | | |
| b | Contributions | | | | | |
| c | Net investment earnings, gains, and losses | | | | | |
| d | Grants or scholarships | | | | | |
| e | Other expenditures for facilities and programs | | | | | |
| f | Administrative expenses | | | | | |
| g | End of year balance | | | | | |

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

a Board designated or quasi-endowment ▶ ________ %

b Permanent endowment ▶ ________ %

c Temporarily restricted endowment ▶ ________ %

The percentages in lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

| | | | Yes | No |
|---|---|---|---|---|
| | (i) unrelated organizations | 3a(i) | | |
| | (ii) related organizations | 3a(ii) | | |
| b | If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? | 3b | | |

4 Describe in Part XIV the intended uses of the organization's endowment funds.

**Part VI Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

| | Description of property | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|---|---|---|---|---|---|
| 1a | Land | | | | |
| b | Buildings | | | | |
| c | Leasehold improvements | | 2,375,198 | 642,452 | 1,732,746 |
| d | Equipment | | 4,410,825 | 2,830,288 | 1,580,537 |
| e | Other | | 1,386,500 | 1,028,632 | 357,868 |
| **Total.** | Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 3,671,151 |

**Part VII Investments—Other Securities.** See Form 990, Part X, line 12.

| (a) Description of security or category (including name of security) | (b) Book value | (c) Method of valuation Cost or end-of-year market value |
|---|---|---|
| (1) Financial derivatives | | |
| (2) Closely-held equity interests | | |
| (3) Other | | |
| (A) | | |
| (B) | | |
| (C) | | |
| (D) | | |
| (E) | | |
| (F) | | |
| (G) | | |
| (H) | | |
| (I) | | |
| **Total.** *(Column (b) must equal Form 990, Part X, col. (B) line 12.)* ▶ | | |

**Part VIII Investments—Program Related.** See Form 990, Part X, line 13.

| (a) Description of investment type | (b) Book value | (c) Method of valuation Cost or end-of-year market value |
|---|---|---|
| (1) | | |
| (2) | | |
| (3) | | |
| (4) | | |
| (5) | | |
| (6) | | |
| (7) | | |
| (8) | | |
| (9) | | |
| (10) | | |
| **Total.** *(Column (b) must equal Form 990, Part X, col (B) line 13.)* ▶ | | |

**Part IX Other Assets.** See Form 990, Part X, line 15.

| (a) Description | (b) Book value |
|---|---|
| (1) | |
| (2) | |
| (3) | |
| (4) | |
| (5) | |
| (6) | |
| (7) | |
| (8) | |
| (9) | |
| (10) | |
| **Total.** *(Column (b) must equal Form 990, Part X, col. (B) line 15.)* ▶ | |

**Part X Other Liabilities.** See Form 990, Part X, line 25.

| 1. (a) Description of liability | (b) Book value |
|---|---|
| (1) Federal income taxes | |
| (2) **Warranty Claim Liability** | **24.330,502** |
| (3) **Funds Held as Security from Builders** | **40,216,992** |
| (4) **Employee Future Benefits Liabilities** | **4,283,554** |
| (5) | |
| (6) | |
| (7) | |
| (8) | |
| (9) | |
| (10) | |
| (11) | |
| **Total.** *(Column (b) must equal Form 990, Part X, col. (B) line 25)* ▶ | **68,831,048** |

**2.** FIN 48 (ASC 740) Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

## Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

| | | | |
|---|---|---|---|
| 1 | Total revenue (Form 990, Part VIII, column (A), line 12) | 1 | 51,418,183 |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | 39,328,507 |
| 3 | Excess or (deficit) for the year. Subtract line 2 from line 1 | 3 | 12,089,676 |
| 4 | Net unrealized gains (losses) on investments | 4 | (1,921,396) |
| 5 | Donated services and use of facilities | 5 | |
| 6 | Investment expenses | 6 | |
| 7 | Prior period adjustments | 7 | |
| 8 | Other (Describe in Part XIV.) | 8 | (4,988,167) |
| 9 | Total adjustments (net). Add lines 4 through 8 | 9 | (6,909,563) |
| 10 | Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9 | 10 | 5,180,113 |

## Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

| | | | | | |
|---|---|---|---|---|---|
| 1 | Total revenue, gains, and other support per audited financial statements | | | 1 | 48,500,803 |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12: | | | | |
| a | Net unrealized gains on investments | 2a | 1,921,396 | | |
| b | Donated services and use of facilities | 2b | | | |
| c | Recoveries of prior year grants | 2c | | | |
| d | Other (Describe in Part XIV.) | 2d | | | |
| e | Add lines **2a** through **2d** | | | 2e | 1,921,396 |
| 3 | Subtract line **2e** from line **1** | | | 3 | 50,422,199 |
| 4 | Amounts included on Form 990, Part VIII, line 12, but not on line **1**: | | | | |
| a | Investment expenses not included on Form 990, Part VIII, line 7b | 4a | 995,984 | | |
| b | Other (Describe in Part XIV.) | 4b | | | |
| c | Add lines **4a** and **4b** | | | 4c | 995,984 |
| 5 | Total revenue Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 12.)* | | | 5 | 51,418,183 |

## Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

| | | | | | |
|---|---|---|---|---|---|
| 1 | Total expenses and losses per audited financial statements | | | 1 | 38,332,523 |
| 2 | Amounts included on line 1 but not on Form 990, Part IX, line 25: | | | | |
| a | Donated services and use of facilities | 2a | | | |
| b | Prior year adjustments | 2b | | | |
| c | Other losses | 2c | | | |
| d | Other (Describe in Part XIV.) | 2d | | | |
| e | Add lines **2a** through **2d** | | | 2e | |
| 3 | Subtract line **2e** from line **1** | | | 3 | |
| 4 | Amounts included on Form 990, Part IX, line 25, but not on line **1:** | | | | |
| a | Investment expenses not included on Form 990, Part VIII, line 7b | 4a | 995,984 | | |
| b | Other (Describe in Part XIV.) | 4b | | | |
| c | Add lines **4a** and **4b** | | | 4c | 995,984 |
| 5 | Total expenses. Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 18.)* | | | 5 | 39,328,507 |

## Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4, Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

**Part XI - line 4 - Net Unrealized Loss: -1,921,396 (unrealized loss on stock: -6,679,819; unrealized gain on bonds: 4,758,423)**

**Part XI - line 8 - Other -4,988,167 (consist of ForEx Adjustment on Conversion +IFRS conversion Jan 1 +Change in Acc Actuarial losses)**

**Foreign Exchange Adjustment on conversion: -3,681,938 (converting CDN$ F/S to US$)**

**IFRS Conversion from JAN 1, 2011 (Begin Balance): -1,011,219 (accumulated actuarial losses for employee future benefits as of Jan 1)**

**Change in Acc Actuarial losses: -295,010 (Change in accumulated actuarial losses for employee future benefits for 2011as per IFRS)**

**Part XI - line 9 - Total Adjustments: -6,909,563 [=-1,921,396-4,988,167]**

**SCHEDULE F (Form 990)**

Department of the Treasury
Internal Revenue Service

# Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

**2011**

**Open to Public Inspection**

Name of the organization: Tarion Warranty Corporation

**Employer identification number** 98-0197825

## Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 **For grantmakers.** Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . ☐ Yes ☐ No

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activities per Region. (The following Part I, line 3 table can be duplicated if additional space is needed.)

| (a) Region | (b) Number of offices in the region | (c) Number of employees, agents, and independent contractors in region | (d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region) | (e) If activity listed in (d) is a program service, describe specific type of service(s) in region | (f) Total expenditures for and investments in region |
|---|---|---|---|---|---|
| (1) Ontario, Canada | 3 | 139 | Program Services | New Home Warranty | 22,335,320 |
| (2) | | 81 | Supporting Service | office support | 16,993,187 |
| (3) | | | | | |
| (4) | | | | | |
| (5) | | | | | |
| (6) | | | | | |
| (7) | | | | | |
| (8) | | | | | |
| (9) | | | | | |
| (10) | | | | | |
| (11) | | | | | |
| (12) | | | | | |
| (13) | | | | | |
| (14) | | | | | |
| (15) | | | | | |
| (16) | | | | | |
| (17) | | | | | |
| 3a Sub-total . . . . . . | 3 | 220 | | | 39,328,507 |
| b Total from continuation sheets to Part I . . . . | | | | | |
| c **Totals** (add lines 3a and 3b) | 3 | 220 | | | 39,328,507 |

**Part II** **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Check this box if no one recipient received more than $5,000 . . . . . ▶ ☐
Part II can be duplicated if additional space is needed.

| 1 | (a) Name of organization | (b) IRS code section and EIN (if applicable) | (c) Region | (d) Purpose of grant | (e) Amount of cash grant | (f) Manner of cash disbursement | (g) Amount of non-cash assistance | (h) Description of non-cash assistance | (i) Method of valuation (book, FMV, appraisal, other) |
|---|---|---|---|---|---|---|---|---|---|
| (1) | [illegible] | [illegible] | | | | | | | |
| (2) | [illegible] | [illegible] | | | | | | | |
| (3) | [illegible] | [illegible] | | | | | | | |
| (4) | [illegible] | [illegible] | | | | | | | |
| (5) | [illegible] | [illegible] | | | | | | | |
| (6) | [illegible] | [illegible] | | | | | | | |
| (7) | [illegible] | [illegible] | | | | | | | |
| (8) | [illegible] | [illegible] | | | | | | | |
| (9) | [illegible] | [illegible] | | | | | | | |
| (10) | [illegible] | [illegible] | | | | | | | |
| (11) | [illegible] | [illegible] | | | | | | | |
| (12) | [illegible] | [illegible] | | | | | | | |
| (13) | [illegible] | [illegible] | | | | | | | |
| (14) | [illegible] | [illegible] | | | | | | | |
| (15) | [illegible] | [illegible] | | | | | | | |
| (16) | [illegible] | [illegible] | | | | | | | |

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . . . . . . . . . ▶

3 Enter total number of other organizations or entities . . . . . . . . . . . . . . . . . . . . . . . . . . . . ▶

**Part III** **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Part III can be duplicated if additional space is needed.

| (a) Type of grant or assistance | (b) Region | (c) Number of recipients | (d) Amount of cash grant | (e) Manner of cash disbursement | (f) Amount of non-cash assistance | (g) Description of non-cash assistance | (h) Method of valuation (book, FMV, appraisal, other) |
|---|---|---|---|---|---|---|---|
| (1) | | | | | | | |
| (2) | | | | | | | |
| (3) | | | | | | | |
| (4) | | | | | | | |
| (5) | | | | | | | |
| (6) | | | | | | | |
| (7) | | | | | | | |
| (8) | | | | | | | |
| (9) | | | | | | | |
| (10) | | | | | | | |
| (11) | | | | | | | |
| (12) | | | | | | | |
| (13) | | | | | | | |
| (14) | | | | | | | |
| (15) | | | | | | | |
| (16) | | | | | | | |
| (17) | | | | | | | |
| (18) | | | | | | | |

**Part IV Foreign Forms**

1 Was the organization a U.S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* . . . . . . . . . . . . . . ☐ Yes ☑ No

2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)* . . . . . . . . . . . . . . ☐ Yes ☑ No

3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U S. Persons With Respect To Certain Foreign Corporations. (see Instructions for Form 5471)* . . . . . . . . . . . . . . ☐ Yes ☑ No

4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)* . . . . . . . . . . . . . . ☐ Yes ☑ No

5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect To Certain Foreign Partnerships. (see Instructions for Form 8865)* . . . . . . . . . . . . . . ☐ Yes ☑ No

6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713)* . . . . . . . . . . . . . . ☐ Yes ☑ No

**Part V** **Supplemental Information**

Complete this part to provide the information required by Part I, line 2 (monitoring of funds), Part I, line 3, column (f) (accounting method; amounts of investments vs expenditures per region); Part II, line 1 (accounting method), Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable Also complete this part to provide any additional information (see instructions)

**SCHEDULE J (Form 990)**

Department of the Treasury
Internal Revenue Service

# Compensation Information

**For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

**▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**

**▶ Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

Name of the organization: Tarion Warranty Corporation

**Employer identification number**: 98-0197825

## Part I Questions Regarding Compensation

| | | | Yes | No |
|---|---|---|---|---|
| **1a** | Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.<br>☐ First-class or charter travel<br>☐ Travel for companions<br>☐ Tax indemnification and gross-up payments<br>☐ Discretionary spending account<br>☐ Housing allowance or residence for personal use<br>☐ Payments for business use of personal residence<br>☑ Health or social club dues or initiation fees<br>☐ Personal services (e.g., maid, chauffeur, chef) | | | |
| **b** | If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain . . . | 1b | ✓ | |
| **2** | Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? . . . . . | 2 | ✓ | |
| **3** | Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director Explain in Part III.<br>☑ Compensation committee<br>☐ Independent compensation consultant<br>☐ Form 990 of other organizations<br>☑ Written employment contract<br>☑ Compensation survey or study<br>☑ Approval by the board or compensation committee | | | |
| **4** | During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization: | | | |
| **a** | Receive a severance payment or change-of-control payment? . . . . . | 4a | | ✓ |
| **b** | Participate in, or receive payment from, a supplemental nonqualified retirement plan? . . . . . | 4b | ✓ | |
| **c** | Participate in, or receive payment from, an equity-based compensation arrangement? . . . . . | 4c | | ✓ |
| | If "Yes" to any of lines 4a–c, list the persons and provide the applicable amounts for each item in Part III. | | | |
| | **Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5–9.** | | | |
| **5** | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of: | | | |
| **a** | The organization? . . . . . | 5a | | ✓ |
| **b** | Any related organization? . . . . . | 5b | | ✓ |
| | If "Yes" to line 5a or 5b, describe in Part III | | | |
| **6** | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of: | | | |
| **a** | The organization? . . . . . | 6a | ✓ | |
| **b** | Any related organization? . . . . . | 6b | | ✓ |
| | If "Yes" to line 6a or 6b, describe in Part III. | | | |
| **7** | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III . . . . . | 7 | | ✓ |
| **8** | Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III . . . . . | 8 | | ✓ |
| **9** | If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)? . . . . . | 9 | | |

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

**Note.** The sum of columns (B)(i)–(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

| (A) Name | | (B) Breakdown of W-2 and/or 1099-MISC compensation (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)–(D) | (F) Compensation reported as deferred in prior Form 990 |
|---|---|---|---|---|---|---|---|---|
| 1 (Over 150,000) | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 2 Howard Bogach | (i) | 368,078 | 229,327 | 15,366 | 53,766 | | 666,537 | |
| | (ii) | | | | | | | |
| 3 John Becevello | (i) | 210,750 | 80,952 | 13,243 | 29,170 | | 334,115 | |
| | (ii) | | | | | | | |
| 4 Mike Cote | (i) | 158,799 | 61,375 | 13,243 | 26,421 | | 259,838 | |
| | (ii) | | | | | | | |
| 5 Tim Schumacher | (i) | 251,162 | 96,179 | 13,491 | 31,261 | | 392,094 | |
| | (ii) | | | | | | | |
| 6 Bill Wallace | (i) | 202,972 | 77,964 | 13,614 | 25,284 | | 317,768 | |
| | (ii) | | | | | | | |
| 7 Eileen Holden | (i) | 165,112 | 63,130 | 13,222 | 22,824 | | 264,288 | |
| | (ii) | | | | | | | |
| 8 Suzanne Tiffin | (i) | 152,492 | 58,574 | 13,480 | 21,107 | | 245,653 | |
| | (ii) | | | | | | | |
| 9 Peter Balasubramanian | (i) | 202,163 | 76,134 | 13,243 | 25,047 | | 316,587 | |
| | (ii) | | | | | | | |
| 10 David Guiney | (i) | 281,421 | 137,951 | 13,243 | 37,744 | | 470,359 | |
| | (ii) | | | | | | | |
| 11 Edmond Lee | (i) | 195,896 | 74,786 | 13,647 | 24,361 | | 308,691 | |
| | (ii) | | | | | | | |
| 12 Pat Varcoe (Former) | (i) | 59,894 | 70,400 | 3,636 | 53,348 | | 187,278 | |
| | (ii) | | | | | | | |
| 13 Janice Mandel (Former) | (i) | 144,402 | 68,673 | 10,606 | 19,177 | | 242,858 | |
| | (ii) | | | | | | | |
| 14 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 15 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 16 | (i) | | | | | | | |
| | (ii) | | | | | | | |

**Part III Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Organization accrued compensation contingent on the goals and achievements met for 2011. The compensation range is determined by the success of the goals achievement.

Director no longer with Tarion in 2011·

Bob Aaron

Over $150,000 Compensation from 2010 no longer with Tarion in 2011:

Pat Varcoe, Alex McFarlene, Janice Mandel

4b)

Howard Bogach: Of $53,766 in retirement compensation, $30,548 is SERP

David Guiney: Of $37,744 in retirement compensation,$14,525 is SERP

Timothy Schumacher: Of $31,261 in retirement compensation,$8,042 is SERP

Edmond Lee: Of $24,361 in retirement compensation,$1,143 is SERP

John Becevello. Of $29,170 in retirement compensation,$5,952 is SERP

Mike Cote: Of $26,421 in retirement compensation,$3,202 is SERP

Bill Wallace. Of $25,284 in retirement compensation,$2,066 is SERP

Peter Balasubramanian: Of $25,047 in retirement compensation, $1,828 is SERP

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

# Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information.

► Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

| Name of the organization | Employer identification number |
|---|---|
| Tarion Warranty Corporation | 98-0197825 |

Note #1: Foreign Currency Translation Rate; Note #2: Detail Officers & Directors; Note #3 Tarion's Investment List at Dec 31, 2011

Part 1-line 7b, total number of employees at the end of December 31, 2011 is 220. Employment is filed through Revenue Canada and therefore none was transmitted through Form W-3, transmittal of wage and tax statements.

Part VI-line 11b: The Form 990 is completed by Tarion's Senior Financial Analyst and reviewed by Tarion's Controller.

Part VI-line 19: Tarion makes available the annual Financial Statements on the Tarion website (www.tarion.com)

Part XI - line 9 - Total Adjustments: -6,909,563 [=-1,921,396-3,681,938-1,011,219-295,010]

a) Net Unrealized Loss: -1,921,396 (unrealized loss on stock: -6,679,819; unrealized gain on bonds: 4,758,423) [Part XI - line 4]

b) Foreign Exchange Adjustment on conversion: -3,681,938 (converting CDN$ F/S to US$)

c) International Financial Reporting Standards (IFRS) Conversion from JAN 1, 2011 (Begin Balance):

-1,011,219 (accumulated actuarial losses for employee future benefits as of Jan 1)

d) Change in Acc Actuarial losses: -295,010 (Change in accumulated actuarial losses for employee future benefits for 2011as per IFRS)

Part XII: In 2011, Tarion adopted the International Financial Reporting Standards. As a result, certain adjustments were made to restate 2010 equity and the balance sheet [as described in above Part XI (c) and (d)].

Note that the Part 1 of Form 990 investment income and total liabilities for prior year have not been restated under IFRS.

| Name of the organization | Employer identification number |
| --- | --- |
| | |

**Note 1**

Tarion Warranty Corporation
EIN 980197825
Form 990
Tax Year Ended Dec 31, 2011

**Foreign Currency Translation Rates:**

a. All income statement figures are translated from Canadian dollars using the monthly averages for the 12 month period comprising the tax year (2011: 0.98926; 2010: 1.0301)

b. All balance sheet figure are translated from Canadian dollars using the closing exchange rate as of Dec 31, 2011 (2011: 1.0170; 2010: 0.9946)

| | | | | | |
|---|---|---|---|---|---|
| Note 2 | | | | | |
| | | | | | |
| Tarion Warranty Corporation | | | | | |
| EIN 98-0197825 | | | | | |
| IRS 990 - 2010 | | | | | |
| Part VII-A - List of Officers, Directors, Trustees & Key Employees | | | | | |
| | | | | Conversion Rate (avg 2011) | 0.9893 |
| | Name & Title | Avg hrs /wk | Attendance Record to Meetings | Position | Total (US$) Column D Reportable compensation from the organization |
| 1 | Harry Herskowitz | n/a | (18/18 attendance) | Director/Officer | 44,021 00 |
| | Board of Directors, (voting rights) | | | | |
| 2 | Brian Johnston | n/a | (16/19 attendance) | Director | 28,328 00 |
| | Board of Directors, (voting rights) | | | | |
| 3 | Dick Brouwer | n/a | (11/11 attendance) | Director | 22,541 00 |
| | Board of Directors, (voting rights) | | | | |
| 4 | Robert Cooper | n/a | (14/15 attendance) | Director | 25,473 00 |
| | Board of Directors, (voting rights) | | | | |
| 5 | Peter Saturno | n/a | (15/16 attendance) | Director | 26,534 00 |
| | Board of Directors, (voting rights) | | | | |
| 6 | Deborah Brown | n/a | (16/19 attendance) | Director | - |
| | Board of Directors, (voting rights) | | | | |
| 7 | Frank Giannone | n/a | (15/15 attendance) | Director | 27,760 00 |
| | Board of Directors, (voting rights) | | | | |
| 8 | Christopher Spiteri | n/a | (21/21 attendance) | Director/Officer | 27,557 00 |
| | Board of Directors, (voting rights) | | | | |
| 9 | Michael Lio | n/a | (23/23 attendance) | Director | 28,315 00 |
| | Board of Directors, (voting rights) | | | | |
| 10 | Mark Bsciano | n/a | (16/19 attendance) | Director | 24,007 00 |
| | Board of Directors, (voting rights) | | | | |
| 11 | Lynn Peterson | n/a | (14/15 attendance) | Director | 13,545 00 |
| | Board of Directors, (voting rights) | | | | |
| 12 | Harold Levy | n/a | (15/15 attendance) | Director | 24,626 00 |
| | Board of Directors, (voting rights) | | | | |
| 13 | Peter Oakes | n/a | (16/17 attendance) | Director | 27,090 00 |
| | Board of Directors, (voting rights) | | | | |
| 14 | Lea Ray | n/a | (14/15 attendance) | Director | 25,182 00 |
| | Board of Directors, (voting rights) effective Apr/10 | | | | |
| 15 | Ross (Sandy) Ewen | n/a | (14/15 attendance) | Director | 22,288 00 |
| | Board of Directors, (voting rights) effective Apr/10 | | | | |
| 16 | Robert Finnigan | n/a | (7/7 attendance) | Director | 18,650 00 |
| | Board of Directors, (no voting rights) effective Oct/10 | | | | |
| 17 | Howard Bogach | 37 5 | (26/27 attendance) | Director/Officer | 666,537 00 |
| | President, CEO, Registrar, (voting rights) | | | | |
| 18 | Bob Aaron | n/a | | Director (former) | 8,541 00 |
| | Board of Directors, (voting rights) | | left 4/21/11 | | |
| 19 | David Guiney | 37 5 | n/a | Officer | 470,359 00 |
| | Senior Vice President, Operations, (Deputy Registar) | | | | |
| 20 | Timothy Schumacher | 37 5 | n/a | Officer | 392,094 00 |
| | Vice President & General Counsel, (Deputy Registar) | | | | |
| 21 | Edmond Lee | 37 5 | n/a | Officer | 308,691 00 |
| | Vice President, Finance, CFO (Deputy Registar) | | | | |
| 22 | Lesley Ross | 37 5 | n/a | Officer | 94,467 00 |
| | Corporate Secretary | | | | |
| 23 | Alex McFarlene | 37 5 | n/a | Officer (former) | 72,434 00 |
| | Corporate Secretary | | | | |
| 24 | Patrick Varcoe | 37 5 | n/a | Officer (former) | 187,278 00 |
| | Vice President & Senior Advisor | | | | |
| 25 | John Becevello | 37 5 | n/a | Officer | 334,115 00 |
| | Vice President, L & U | | | | |
| 26 | Mike Cote | 37 5 | n/a | Officer | 259,838 00 |
| | Vice President, Builder Relations | | | | |
| 27 | Bill Wallace | 37 5 | n/a | Key Employee | 319,834 00 |
| | Vice President, Information Systems | | | | |
| 28 | Eileen Holden | 37 5 | n/a | Key Employee | 264,288 00 |
| | Vice President, Human Resources | | | | |
| 29 | Suzanne Tiffin | 37 5 | n/a | Key Employee | 245,652 00 |
| | Vice President, Customer Services | | | | |
| 30 | Peter Balasubramanian | 37 5 | n/a | Officer | 316,587 00 |
| | Vice President, Claims | | | | |
| 31 | Janice Mandel | 37 5 | n/a | Key Employee (former) | 242,858 00 |
| | Vice President, Corporate Affairs | | | | |
| 32 | Girish Sharma | 37 5 | n/a | Highest Comp | 163,901 00 |
| | Director L&U | | | | |
| 33 | John Linney | 37 5 | n/a | Highest Comp | 163,409 00 |
| | Director Contact Center | | | | |
| 34 | John Hynes | 37 5 | n/a | Highest Comp | 174,492 00 |
| | | | | | |
| 35 | Adil Darr | 37 5 | n/a | Highest Comp | 165,348 00 |
| | | | | | |
| 36 | Kevin Brodie | 37 5 | n/a | Highest Comp | 164,947 00 |
| | | | | | |
| | | | | 2011 | 5,401,587 00 |

**Tarion Warranty Corporation**
**Consolidated Summary Investment Listing**
**As at December 31, 2011**
**(Market Values using Bid Prices)**

**Conversion at Dec 31, 2011** 1 0170

| | CANADIAN DOLLAR | | US DOLLAR | |
|---|---|---|---|---|
| | Quantity | Market Value | Quantity | Market Value |
| **Fixed Income Category** | | | | |
| **Bonds** | | | | |
| Federal Gov | 78,343,500 | 84,502,107 | 78,343,500 | 83,089,585 |
| Provincial Gov | 5,882,000 | 6,644,770 | 5,882,000 | 6,533,697 |
| **Total Government Issued Bonds** | 84,225,500 | 91,146,878 | 84,225,500 | 89,623,282 |
| Financial Institution Bonds | 100,089,000 | 105,507,677 | 100,089,000 | 103,744,028 |
| Corporate Bonds (other than Utilities) | 18,255,000 | 19,725,904 | 18,255,000 | 19,396,169 |
| Corporate Utility's Bonds | 22,051,000 | 25,294,464 | 22,051,000 | 24,871,646 |
| **Total Canadian Bonds** | **224,620,500** | **241,674,922** | **224,620,500** | **237,635,125** |
| **Short Term Securities** | | | | |
| *(CANADIAN ISSUED NOTES IN CDN$)* | 5,353,009 | 10,770,691 | 5,353,009 | 10,590,650 |
| *(CANADIAN ISSUED NOTES IN US$)* | 79,008 | 807,526 | 79,008 | 807,526 |
| **Total Short Term Securities** | **5,432,017** | **11,578,217** | **5,432,017** | **11,398,176** |
| **Accrued Interest** | | | | 0 |
| **TOTAL FIXED INCOME** | | **253,253,139.00** | | **249,033,301** |
| **Equity Portfolio** | | | | |
| *(Quantity = No of Shares or Units)* | | | | |
| **DOMESTIC Stock (CAD Denominated)** | | | | |
| AGRIUM | 9,900 | 676,170 | 9,900 | 664,867 |
| ATCO LTD CLASS 1 NON-VTG | 11,705 | 702,300 | 11,705 | 690,560 |
| ALTAGAS | 13,700 | 435,934 | 13,700 | 428,647 |
| BCE | 26,415 | 1,121,053 | 26,415 | 1,102,313 |
| BANK OF NOVA SCOTIA | 96,145 | 4,879,359 | 96,145 | 4,797,796 |
| BONAVISTA | 16,013 | 416,178 | 16,013 | 409,221 |
| BAYTEX | 14,800 | 842,268 | 14,800 | 828,189 |
| CAE | 59,292 | 584,026 | 59,292 | 574,264 |
| CAMECO CORP COMMON | 80,660 | 1,478,498 | 80,660 | 1,453,783 |
| CIBC | 43,400 | 3,200,316 | 43,400 | 3,146,820 |
| CANADIAN NATL RAILWAY CO | 47,630 | 3,813,734 | 47,630 | 3,749,984 |
| CANADIAN NATL RESOURCES | 70,125 | 2,661,945 | 70,125 | 2,617,448 |
| CANADIAN PACIFIC | 25,000 | 1,720,000 | 25,000 | 1,691,249 |
| CANADIAN TIRE LTD CL A | 35,885 | 2,355,850 | 35,885 | 2,316,470 |
| CANADIAN UTILITIES | 575 | 35,363 | 575 | 34,771 |
| CANFOR CORP | 18,969 | 201,261 | 18,969 | 197,897 |
| CENOVUS | 89,403 | 3,020,927 | 89,403 | 2,970,430 |
| COGECO CABLE | 8,562 | 438,631 | 8,562 | 431,299 |
| ENBRIDGE INC | 62,955 | 2,396,067 | 62,955 | 2,356,015 |
| ENCANA | 105,548 | 1,993,802 | 105,548 | 1,960,474 |
| ENSIGN ENERGY | 44,900 | 724,237 | 44,900 | 712,131 |
| FINNING | 26,300 | 582,282 | 26,300 | 572,549 |
| GREAT-WEST LIFECO INC | 132,160 | 2,681,526 | 132,160 | 2,636,702 |
| IGM FINANCIAL | 13,100 | 577,972 | 13,100 | 568,311 |
| IMPERIAL OIL LTD | 22,036 | 999,333 | 22,036 | 982,628 |
| INDUSTRIAL ALLIANCE | 12,018 | 314,872 | 12,018 | 309,608 |
| INMET | 9,200 | 601,864 | 9,200 | 591,803 |
| JEAN COUTU GRP(PJC) | 24,434 | 311,289 | 24,434 | 306,086 |
| KINROSS GOLD | 56,800 | 659,448 | 56,800 | 648,425 |
| LOBLAW COMPANIES LTD | 32,526 | 1,248,351 | 32,526 | 1,227,484 |
| MAGNA | 38,100 | 1,290,828 | 38,100 | 1,269,251 |
| MANULIFE FINANCIAL CORP | 238,907 | 2,587,361 | 238,907 | 2,544,111 |
| METRO INC | 48,510 | 2,617,115 | 48,510 | 2,573,367 |
| MOLSON INC | 45,800 | 2,026,650 | 45,800 | 1,992,773 |
| NEXEN INC COMMON | 58,095 | 938,815 | 58,095 | 923,122 |
| POTASH CORP OF SASK INC | 59,990 | 2,526,179 | 59,990 | 2,483,952 |
| POWER FINANCIAL CORP COM | 24,325 | 620,531 | 24,325 | 610,158 |
| QUEBECOR INC CL B | 48,755 | 1,683,023 | 48,755 | 1,654,889 |
| ROGERS COMMUN CL B | 97,230 | 3,814,333 | 97,230 | 3,750,573 |
| ROYAL BANK | 134,155 | 6,965,328 | 134,155 | 6,848,896 |
| SNC-LAVALIN GROUP INC | 46,450 | 2,366,628 | 46,450 | 2,327,067 |
| SHAW COMMUNICATIONS INC | 52,975 | 1,071,684 | 52,975 | 1,053,770 |
| SHOPPERS DRUG MART | 62,710 | 2,569,856 | 62,710 | 2,526,899 |

| | | | | |
|---|---|---|---|---|
| SUNCOR | 42,500 | 1,248,650 | 42,500 | 1,227,778 |
| TALISMAN ENERGY INC | 211,525 | 2,741,364 | 211,525 | 2,695,540 |
| TECK RESOURCES | 18,000 | 645,300 | 18,000 | 634,513 |
| TELUS | 58,300 | 3,345,683 | 58,300 | 3,289,757 |
| THOMSON CORP COMMON | 74,745 | 2,031,569 | 74,745 | 1,997,610 |
| TIM HORTONS | 13,059 | 644,200 | 13,059 | 633,432 |
| TORONTO-DOMINION BANK | 97,400 | 7,426,750 | 97,400 | 7,302,606 |
| TRANSCANADA CORP | 40,971 | 1,823,210 | 40,971 | 1,792,733 |
| WEST FRASER TIMBER CO LTD | 15,771 | 651,973 | 15,771 | 641,075 |
| WESTON LTD | 6,825 | 463,213 | 6,825 | 455,470 |
| JF SPECIAL EQUITY FUND | 188,557 | 3,448,312 | 188,557 | 3,390,670 |
| **TOTAL DOMESTIC Stock** | 2,933,811 | 97,223,409 | 2,933,811 | 95,598,236 |
| | | | | |
| **FOREIGN Stock (CAD Denominated)** | | | | |
| BEUTEL GOODMAN POOLED FUNDS | 787,095 | 8,409,560 | 787,095 | 8,268,987 |
| | | | | |
| **FOREIGN Stock (US Denominated)** | | | | |
| ABBOT LABS INC | 2,940 | 164,866 | 2,940 | 164,866 |
| ALLERGAN | 170 | 14,867 | 170 | 14,867 |
| AUTOMATIC DATA | 2,870 | 154,371 | 2,870 | 154,371 |
| BANK OF NEW YORK CO | 4,076 | 80,904 | 4,076 | 80,904 |
| BB&T | 3,430 | 86,055 | 3,430 | 86,055 |
| BECTON DICKENSON | 1,470 | 109,730 | 1,470 | 109,730 |
| CVS CORP | 3,310 | 134,081 | 3,310 | 134,081 |
| CHEVRON COMMON | 1,810 | 192,338 | 1,810 | 192,338 |
| COLGATE PALMOLIVE | 2,140 | 197,106 | 2,140 | 197,106 |
| DAVITA INC | 1,080 | 81,860 | 1,080 | 81,860 |
| EMERSON ELECTRONIC | 3,130 | 145,819 | 3,130 | 145,819 |
| EOG RESOURCES | 1,480 | 145,477 | 1,480 | 145,477 |
| EXXON MOBIL | 1,940 | 164,194 | 1,940 | 164,194 |
| FISERV INC COM | 2,715 | 159,471 | 2,715 | 159,471 |
| GENERAL ELECTRIC | 7,260 | 130,021 | 7,260 | 130,021 |
| GILEAD SCIENCES | 3,070 | 125,556 | 3,070 | 125,556 |
| HALLIBURTON | 1,970 | 67,765 | 1,970 | 67,765 |
| HARTFORD FINANCIAL | 2,165 | 34,964 | 2,165 | 34,964 |
| IBM | 1,000 | 183,701 | 1,000 | 183,701 |
| JP MORGAN CHASE | 2,990 | 99,322 | 2,990 | 99,322 |
| JOHNSON & JOHNSON | 2,560 | 167,417 | 2,560 | 167,417 |
| KIMBERLY-CLARK CORP | 1,020 | 74,507 | 1,020 | 74,507 |
| LINCOLN NATIONAL CORP | 2,960 | 57,334 | 2,960 | 57,334 |
| M&T BANK | 1,130 | 85,989 | 1,130 | 85,989 |
| METLIFE | 3,440 | 106,909 | 3,440 | 106,909 |
| MONSANTO | 1,150 | 80,358 | 1,150 | 80,358 |
| NIKE | 980 | 94,183 | 980 | 94,183 |
| ORACLE | 4,770 | 122,152 | 4,770 | 122,152 |
| PEPISCO | 1,920 | 126,926 | 1,920 | 126,926 |
| PFIZER INC COM | 7,130 | 154,069 | 7,130 | 154,069 |
| PHILIP MORRIS | 2,870 | 224,566 | 2,870 | 224,566 |
| QEP RESOURCES | 1,770 | 51,576 | 1,770 | 51,576 |
| QUEST | 1,740 | 100,933 | 1,740 | 100,933 |
| PROCTER & GAMBLE | 2,680 | 177,702 | 2,680 | 177,702 |
| SCHLUMBERGER | 690 | 47,063 | 690 | 47,063 |
| SCRIPPS NETWORK | 2,175 | 91,084 | 2,175 | 91,084 |
| SPECTRA | 2,410 | 73,741 | 2,410 | 73,741 |
| 3M COMPANY | 1,610 | 131,161 | 1,610 | 131,161 |
| TEXAS INTRUMENTS | 4,790 | 138,521 | 4,790 | 138,521 |
| TIME WARNER CABLE | 1,974 | 125,481 | 1,974 | 125,481 |
| TRANSOCEAN | 550 | 21,114 | 550 | 21,114 |
| US BANCORP | 5,450 | 147,144 | 5,450 | 147,144 |
| VERISK ANALYTICS | 3,510 | 139,342 | 3,510 | 139,342 |
| WALGREEN CO | 4,130 | 136,530 | 4,130 | 136,530 |
| WELLS FARGO | 4,563 | 125,522 | 4,563 | 125,522 |
| ZIMMER HOLDINGS | 2,055 | 109,404 | 2,055 | 109,404 |
| JF INT'L EQUITY FUND | 286,624 | 5,407,706 | 286,624 | 5,407,706 |
| **Total US Denominated Stock (in US$)** | 407,667 | 10,790,897 | 407,667 | 10,790,897 |
| Premium @ 1 017 (Q4) | | 183,445 | | 0 |
| Unrealized Exchange on USD | | | | |
| **Total US Denominated Stock (in CAD$** | 407,667 | 10,974,342 | 407,667 | 10,790,897 |
| | | | | |
| **TOTAL FOREIGN Stock (in CAD$)** | | **19,383,902** | | **19,059,884** |
| **Dividend Receivables** | | 486,909 | | 478,770 |
| **TOTAL STOCK PORTFOLIO** | | **117,094,220** | | **115,136,890** |
| | | | | |
| **OTAL INVESTMENT PORTFOLIO** | | **370,347,359** | | **364,170,191** |

# Tarion Warranty Corporation

## Financial Statements
## December 31, 2011 and 2010

**Version: March 30, 2012**

# Tarion Warranty Corporation

December 31, 2011 and 2010

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Deloitte.

Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel 416-601-6150
Fax. 416-601-6151
www deloitte ca

## Independent Auditor's Report

To the Directors of Tarion Warranty Corporation

We have audited the accompanying financial statements of Tarion Warranty Corporation, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of comprehensive results of operations, statements of changes in equity and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tarion Warranty Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Deloitte + Touche LLP

Chartered Accountants
Licensed Public Accountants
April 19, 2012

Ernst & Young LLP
Insurance and Actuarial Advisory Services
Ernst & Young Tower,
222 Bay Street, P O Box 251
Toronto, ON M5K 1J7 Canada

Tel +1 416 941 7751
Email liam mcfarlane@ca ey com
www ey com

# ACTUARY'S REPORT

To the Directors of **Tarion Warranty Corporation:**

I have valued the warranty liabilities of **Tarion Warranty Corporation** for its Statements of Financial Position as at December 31, 2011, December 31, 2010, and January 1, 2010, and their change in the Statements of Comprehensive Results of Operations for the years ended December 31, 2011, and December 31, 2010, in accordance with accepted actuarial practice in Canada, including the selection of appropriate assumptions and methods.

In my opinion, the amount of these warranty liabilities makes appropriate provision for all warranty obligations, and the financial statements fairly present the results of the valuation.

Liam McFarlane
Fellow, Canadian Institute of Actuaries

April 19, 2012

# TARION WARRANTY CORPORATION

## Statements of financial position

**as at December 31,**
**($CAD thousands)**

| | Notes | 2011 | 2010 | January 1, 2010 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Equipment and leaseholds | 8 | $ 3,734 | $ 2,200 | $ 3,413 |
| Intangible assets | 9 | 3,005 | 2,504 | 1,513 |
| Trade and other receivables from vendors and builders | 11 | 4,063 | 8,791 | 11,613 |
| Other assets | | 100 | 100 | 665 |
| Prepaid expenses | | 289 | 361 | 417 |
| Investments | 10 | 370,346 | 339,507 | 312,441 |
| Cash and cash equivalents | 12 | 2,527 | 2,163 | 2,851 |
| **TOTAL ASSETS** | | $ 384,064 | $ 355,626 | $ 332,913 |
| **EQUITY AND LIABILITIES** | | | | |
| *Equity* | | | | |
| Surplus | | $ 164,486 | $ 154,427 | $ 117,465 |
| Accumulated actuarial losses for employee future benefits liabilities | 13 | (1,272) | (951) | - |
| **Total equity** | | 163,214 | 153,476 | 117,465 |
| *Liabilities* | | | | |
| Employee future benefits liabilities | 13 | 4,356 | 3,442 | 2,393 |
| Warranty liabilities | 14 | 165,124 | 150,616 | 164,251 |
| Funds held as security | 15 | 40,901 | 39,950 | 38,876 |
| Lease inducements and obligations | 17 | 2,829 | 1,055 | 1,251 |
| Accounts payable and accrued liabilities | 18 | 7,640 | 7,087 | 8,677 |
| **Total liabilities** | | 220,850 | 202,150 | 215,448 |
| **TOTAL EQUITY AND LIABILITIES** | | $ 384,064 | $ 355,626 | $ 332,913 |

See accompanying notes to financial statements.

Approved by the Board of Directors

Harry Herskowitz
Director and Chair of the Board

Christopher Spiteri
Director and Vice Chair of the Board

# TARION WARRANTY CORPORATION

## Statements of comprehensive results of operations

**for the years ended December 31,**
**($CAD thousands)**

| | Notes | 2011 | 2010 |
|---|---|---|---|
| **REVENUE** | | | |
| Home enrolment fees earned | | $ 31,822 | $ 29,692 |
| Builders' registration and renewal fees | | 3,286 | 3,362 |
| Investment results | | | |
| Investment income | 6 | 13,142 | 25,077 |
| Investment management fees | | (985) | (867) |
| Other revenue | | 717 | 621 |
| | | 47,982 | 57,885 |
| **EXPENSES** | | | |
| Net claims incurred | 14 | 1,010 | (18,272) |
| Salaries and benefits | | 23,376 | 24,631 |
| General and administrative | | 10,943 | 11,430 |
| Depreciation and amortization | 8, 9 | 2,098 | 2,863 |
| Interest expense | 7 | 496 | 271 |
| | | 37,923 | 20,923 |
| **EXCESS OF REVENUE OVER EXPENSES** | | 10,059 | 36,962 |
| **OTHER COMPREHENSIVE RESULTS OF OPERATIONS** | | | |
| Actuarial losses for employee future benefits | | (321) | (951) |
| **TOTAL COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR** | | $ 9,738 | $ 36,011 |

See accompanying notes to financial statements.

# TARION WARRANTY CORPORATION

## Statements of changes in equity

**for the years ended December 31,**
**($CAD thousands)**

| | 2011 | 2010 |
|---|---|---|
| Surplus | | |
| Beginning of year | $ 154,427 | $ 117,465 |
| Excess of revenue over expenses for the year | 10,059 | 36,962 |
| End of year | 164,486 | 154,427 |
| Accumulated actuarial losses for employee future benefits | | |
| Beginnning of the year | (951) | - |
| Change during the year | (321) | (951) |
| End of year | (1,272) | (951) |
| **TOTAL EQUITY, END OF YEAR** | $ 163,214 | $ 153,476 |

See accompanying notes to financial statements.

# TARION WARRANTY CORPORATION

## Statements of cash flows

**for the years ended December 31,**
**($CAD thousands)**

| | 2011 | 2010 |
|---|---|---|
| **NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES** | | |
| **OPERATING** | | |
| Home enrolment fees received | $ 54,397 | $ 47,542 |
| Builders' registration fees received | 3,286 | 3,362 |
| Other miscellaneous fees (expenses) received (paid) | 717 | (376) |
| Payments to employees for salaries and benefits | (22,872) | (23,596) |
| Payments to suppliers for general and administrative expenses | (10,550) | (11,560) |
| Claims payments | (8,423) | (17,619) |
| Securities receipts from builders, net of releases | 1,032 | 1,672 |
| Recoveries from builders for claims | 4,213 | 8,003 |
| Interest expenses | (474) | (762) |
| Cash provided by operating activities | 21,326 | 6,666 |
| **INVESTING** | | |
| Interest received | 9,274 | 8,390 |
| Dividend received | 2,914 | 2,414 |
| Investment management fees | (931) | (847) |
| Proceeds from sale and maturity of investments | 261,415 | 297,397 |
| Purchase of investments | (291,281) | (311,917) |
| Purchase of equipment and leaseholds | (105) | (178) |
| Purchase of intangible assets | (1,576) | (2,061) |
| Cash used in investing activities | (20,290) | (6,802) |
| **FINANCING** | | |
| Payment of finance lease liabilities | (570) | (444) |
| Interest expense on finance leases | (102) | (108) |
| Cash used in financing activities | (672) | (552) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR** | 364 | (688) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 2,163 | 2,851 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 2,527 | $ 2,163 |

See accompanying notes to financial statements

## 1. CORPORATION OPERATIONS

Tarion Warranty Corporation (the "Corporation"), domiciled in Ontario, Canada, was designated in 1976 by the Government of Ontario to administer the Ontario New Home Warranties Plan Act (the "Act"). The objectives of the Act include consumer protection, builder regulation and providing consumers and builders with a broad range of services including information and education. The Corporation collects home enrolment and builder registration fees and invests available funds for the purposes of settling warranty claims from homeowners, and providing for investigation, enforcement, and other administrative costs related to its responsibilities in administering the Act. Warranty protection is outlined in the Act and includes providing a warranty to purchasers of new homes in respect of:

- loss of deposit if a builder cannot or will not complete the sale of a home, through no fault of the home buyer;
- specified construction and contractual warranties for defects in work or material; and
- the effects of delays in closing, under certain circumstances.

The Government of Ontario has designated the Corporation as a non-profit organization incorporated without share capital under the Act. The Corporation's equity is not traded in a public market and it represents the retained accumulation of excess of revenue over expenses under the Act. The registered office is located at 5160 Yonge Street, 12$^{th}$ Floor, Toronto, Ontario, M2N 6L9.

As a non-profit organization, the Corporation is exempt from income taxes.

The financial statements for the years ended December 31, 2011 and 2010 were approved by the board of directors and authorized for issue on April 19, 2012.

## 2. IFRS ADOPTION

This is the first reporting period the Corporation prepared its financial statements under International Financial Reporting Standards ("IFRS"). The Canadian Institute of Chartered Accountants ("CICA") requires all Canadian publicly accountable enterprises and certain government business enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. The objective of the change is to move toward the use of a single set of world-wide accounting standards to facilitate and improve the usability and comparability of financial statements globally.

The financial statements have been prepared on an historic cost basis except for certain financial assets and financial liabilities that have been measured at fair value.

The Corporation's financial statements for the year ended December 31, 2011 are the first annual financial statements that comply with IFRS. The Corporation's date of transition to IFRS is January 1, 2010 and comparative information has been provided under IFRS. The Corporation previously presented financial statements annually under Canadian generally accepted accounting principles ("CGAAP") up to, and including December 31, 2010.

Although there are many similarities between CGAAP and IFRS, there are some significant GAAP differences which have impacted the Corporation's financial statements. As part of the transition to IFRS, the Corporation had to make specific elections under *IFRS 1 – First time adoption of IFRS.* The changes to the Corporation's accounting policies are noted below.

# TARION WARRANTY CORPORATION

## Notes to financial statements

**for the year ended December 31, 2011**
**($CAD thousands)**

### 2. IFRS ADOPTION (continued)

The statements of financial position at the date of transition and at December 31, 2010 can be reconciled to the amounts reported under previous CGAAP as follows:

| | | January 1, 2010 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|---|
| | Notes | CGAAP | Adjustments | IFRS | CGAAP | Adjustments | IFRS |
| **ASSETS** | | | | | | | |
| Equipment and leaseholds | | $ 3,413 | $ - | $ 3,413 | $ 2,200 | $ - | $ 2,200 |
| Intangible assets | | 1,513 | - | 1,513 | 2,504 | - | 2,504 |
| Trade and other Receivables from vendors and builders | | 11,613 | - | 11,613 | 8,791 | - | 8,791 |
| Other assets | | 665 | - | 665 | 100 | - | 100 |
| Prepaid expenses | | 417 | - | 417 | 361 | - | 361 |
| Investments | | 312,441 | - | 312,441 | 339,507 | - | 339,507 |
| Cash and cash equivalents | | 2,851 | - | 2,851 | 2,163 | - | 2,163 |
| **TOTAL ASSETS** | | **$ 332,913** | **$ -** | **$ 332,913** | **$ 355,626** | **$ -** | **$ 355,626** |
| **EQUITY AND LIABILITIES** | | | | | | | |
| *Equity* | | | | | | | |
| Surplus | 2(a), 2(f) | $ 97,432 | $ 20,033 | $ 117,465 | $ 127,630 | $ 26,797 | $ 154,427 |
| Accumulated actuarial losses for employee future benefits liabilities | | - | - | - | - | (951) | (951) |
| Accumulated net unrealized gains in the equity portfolio | 2(f) | 20,054 | (20,054) | - | 26,851 | (26,851) | - |
| **Total equity** | | **117,486** | **(21)** | **117,465** | **154,481** | **(1,005)** | **153,476** |
| *Liabilities* | | | | | | | |
| Employee future benefits liabilities | 2(a) | 2,372 | 21 | 2,393 | 2,437 | 1,005 | 3,442 |
| Warranty liabilities | | 164,251 | - | 164,251 | 150,616 | - | 150,616 |
| Funds held as security | | 38,876 | - | 38,876 | 39,950 | - | 39,950 |
| Lease inducements and obligations | 2(c), 2(e) | - | 1,251 | 1,251 | - | 1,055 | 1,055 |
| Accounts payable and accrued liabilities | 2(c), 2(e) | 9,928 | (1,251) | 8,677 | 8,142 | (1,055) | 7,087 |
| **Total liabilities** | | **215,427** | **21** | **215,448** | **201,145** | **1,005** | **202,150** |
| **TOTAL EQUITY AND LIABILITIES** | | **$ 332,913** | **$ -** | **$ 332,913** | **$ 355,626** | **$ -** | **$ 355,626** |

**($CAD thousands)**

## 2. IFRS ADOPTION (continued)

Total comprehensive results of operations for the reporting period ended December 31, 2010 can be reconciled to the amounts reported under previous CGAAP as follows:

| for the year ended December 31, 2010 | Notes | CGAAP | Adjustments | IFRS |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Home enrolment fees earned | | $ 29,692 | $ - | $ 29,692 |
| Builders' registration and renewal fees | | 3,362 | - | 3,362 |
| Investment results | | | | |
| Investment income | 2(e), 2(f) | 18,117 | 6,960 | 25,077 |
| Investment management fees | | (867) | - | (867) |
| Other revenue | | 621 | - | 621 |
| | | 50,925 | 6,960 | 57,885 |
| **EXPENSES** | | | | |
| Net claims incurred | | (18,272) | - | (18,272) |
| Salaries and benefits | 2(a) | 24,598 | 33 | 24,631 |
| General and administrative | 2(e) | 11,538 | (108) | 11,430 |
| Depreciation and amortization | | 2,863 | - | 2,863 |
| Interest expense | 2(e) | - | 271 | 271 |
| | | 20,727 | 196 | 20,923 |
| **EXCESS OF REVENUE OVER EXPENSES** | | 30,198 | 6,764 | 36,962 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Actuarial losses on employee future benefits recognized in the period | 2(a) | - | (951) | (951) |
| Net unrealized gains (losses) in the equity portfolio | 2(f) | 6,797 | (6,797) | - |
| **TOTAL COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR** | | $ 36,995 | $ (984) | $ 36,011 |

The basis of material adjustments between CGAAP and IFRS are as follows.

### First time adoption of IFRS:

*(a) Employee future benefits liabilities (Defined benefit plans)*
The Corporation elected to recognize all cumulative unrecognized actuarial gains and losses at transition. The effect is to increase employee future benefits liabilities at the date of transition by $21. Actuarial gains and losses subsequent to transition date are recognized in the period they occur and reported separately as part of other comprehensive income. Further, the Corporation has elected to use the exemption not to disclose defined benefit plan surplus/deficit and experience adjustments that arose prior to the date of transition.

The Corporation has assets and liabilities previously not recognized under CGAAP but are now required to be recognized under IFRS, specifically unamortized past service costs and unamortized actuarial gains and losses.

**($CAD thousands)**

## 2. IFRS ADOPTION (continued)

CGAAP accounting policy transition provisions which resulted in the deferral of costs upon the adoption of *Section 3461 – Employee future benefits* of the CICA Handbook are written off to Surplus on transition date.

The Corporation currently amortizes past service costs on a straight-line basis over the average remaining service periods of eligible employees active at the date of amendment. *IAS 19 – Employee Benefits* requires vested past service costs to be expensed immediately, and unvested past service costs to be expensed on a straight-line basis over the average period until the benefits become vested. The impact on the December 31, 2010 statement of comprehensive results of operations is to increase salaries and benefits by $33.

The total effect of adopting IAS 19 is to increase employee future benefits liabilities and decrease opening Surplus as follow:

| | | January 1, 2010 |
|---|---|---|
| Recognition of actuarial loss | $ | 30 |
| Recognition of cumulative unamortized transitional asset | | (502) |
| Recognition of cumulative unamortized past service cost | | 493 |
| | $ | 21 |

*(b) Warranty liabilities*
With the adoption of *IFRS 4 – Insurance Contracts*, the Corporation has performed a review over the classification of its warranty liabilities that resulted in no accounting changes. The Corporation will continue to use existing policies for liabilities arising from warranty liabilities. The Corporation has also elected to disclose only five years of claims experience data in its claims development table as permitted in the first financial year in which it adopts *IFRS 4 – Insurance Contracts*. These disclosures will be extended for an additional year in each succeeding year until the ten year information requirement has been satisfied.

*(c) Leases*
The Corporation has applied the transitional provision in *IFRIC 4 – Determining Whether an Arrangement Contains a Lease* and has assessed all arrangements as at the date of transition.

*(d) Statement of cash flows*
There are no material adjustments to the statements of cash flows as a result of the transition from CGAAP to IFRS. Where the Corporation previously presented the statement of cash flows using the indirect method, it now uses the direct method.

## 2. IFRS ADOPTION (continued)

*(e) Presentation differences*
Certain financial statement line items have been reclassified to other line items under IFRS at the date of transition. These presentation differences between previous CGAAP and IFRS have no impact on the reported comprehensive results of operations. These line items include:

- Interest expense previously included in investment income or in general and administrative expenses is now reported separately in the statements of comprehensive results of operations.
- Lease inducements and obligations previously included in accounts payable and accrued liabilities are now reported separately on the statements of financial position.

**Early adoption of IFRS:**

*(f) IFRS 9 – Financial Instruments*
The Corporation has early adopted *IFRS 9 – Financial Instruments* at the date of transition even though its effective date is only for fiscal years beginning on or after January 1, 2015. The Corporation's equity portfolio, previously classified as available for sale is now measured at fair value through profit or loss based on the new standard. The effect is that the previously accumulated net unrealized gains in the equity portfolio are now being recognized immediately in the statements of comprehensive results of operations. The comparative numbers have been restated by increasing the January 1, 2010 opening surplus by $3,921 and the December 31, 2010 investment income by $6,960.

## 3. STATEMENT OF COMPLIANCE

The financial statements of the Corporation have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

Financial statement values are presented in Canadian dollars ($) rounded to the nearest thousand ($000), unless otherwise indicated.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Cash and Cash Equivalents**

Cash and cash equivalents comprises cash on hand and at the bank, any short term deposits with a maturity of up to three months on the date of purchase and any bank overdrafts payable on demand. There are no restrictions or limitations to the use of the cash and cash equivalents.

**Financial instruments**

The Corporation early adopted *IFRS 9 – Financial Instruments* effective January 1, 2010 and recognizes its financial instruments in accordance with the requirements of *IFRS 7 – Disclosure, IAS 32 – Presentation, IAS 39 – Recognition and Measurement* and *IAS 1 – Presentation of Financial Statements* as described below:

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*IFRS 9 – Financial Instruments* requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

- Financial assets at fair value through profit or loss ("FVTPL")

  Cash and cash equivalents, the fixed income portfolio and the equity portfolio are classified as FVTPL. Financial assets at FVTPL are measured initially at fair value with any gains or losses arising on subsequent measurement recognized in the statements of comprehensive results of operations in investment income.

  Transaction costs are recognized in the statements of comprehensive results of operations as incurred.

  Interest income on the fixed income portfolio is included in investment income as earned using the effective interest rate. Dividend income on the equity portfolio investments is recognized as of the declaration date in investment income. The gains and losses from currency translation are recognized in the statements of comprehensive results of operations.

- Financial assets at amortized cost

  Trade and other receivables from vendors and builders are measured at amortized cost. The carrying value is based on management's best estimate of the recoverable value determined by considering past collection experience, the amount of security held and the existence of guarantees. Impairment is being assessed at the end of each reporting period. Where there is objective evidence that there is impairment in these amounts, the impairment charge is recognized in the statements of comprehensive results of operations to reduce the carrying value of the financial assets to their recoverable amounts.

- Other financial liabilities

  Accounts payable and accrued liabilities, and funds held as security, are measured at amortized cost using the effective interest method.

**Equipment and leaseholds**

Equipment and leaseholds are recorded at cost less accumulated depreciation, amortization and impairment. The assets' residual values, useful lives and the method of depreciation and amortization are reviewed at each financial year end, and adjusted as necessary on a prospective basis. The depreciation and amortization expense on equipment and leaseholds is disclosed separately in Note 8 to the financial statements and included in the statements of comprehensive results of operations.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortization are provided at the following rates:

| | |
|---|---|
| Computer equipment | - straight-line over four years |
| Furniture and office equipment | - declining balance at 20% a year |
| Leasehold improvements | - straight-line over the term of the lease |
| Computer and office equipment under finance lease | - straight-line over the term of lease to a maximum of four years |

Leased property includes buildings, computer and office equipment. There are no renewal terms on building leases but equipment leases include renewal options. These options are based on the fair market value of the equipment and the lease rate available at the time of expiry. The Corporation also has the option to extend leases on a month to month basis making the same payments and this is typically the option taken by the Corporation.

The gain or loss arising on the disposal or retirement of an item of equipment and leaseholds is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognized in the statements of comprehensive results of operations. The gain or loss is recognized upon disposal or when no future economic benefits are expected from its use or disposal.

**Intangible assets**

Intangible assets consist of software and applications acquired separately and internal software enhancements related to the customization of these software systems and applications. These intangible assets have finite lives and are amortized over their useful economic life. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortization expense on intangible assets are disclosed separately in Note 9 to the financial statements and included in the statements of comprehensive results of operations.

| | |
|---|---|
| Software and applications | - straight-line over three years |
| Internal software enhancements | - straight-line over three years |

**Other assets**

In the normal course of business, the Corporation may be required to purchase (take legal title) from a new home owner, an uninhabitable property (land and/or dwelling) so as to settle a warranty claim. The Corporation's intent is to remediate and divest the property, as soon as possible, or in some cases where restoration is not possible to donate the sites to local governments for parks or green-space. The most significant portion of the asset relates to the value of the land. These assets are generally purchased at their fair value and recorded as other assets. The gain or loss realized, if any, between the fair value on acquisition and the final sale price, is recorded as part of net gain on disposal of other assets. These assets are expected to be recovered more than one year after the statements of financial position date.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Prepaid expenses**

Prepaid expenses are measured at historical costs. Prepaid expenses are generally settled within one year.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in the statements of comprehensive results of operations.

Assets under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Impairment of non-financial assets**

The Corporation assesses at each reporting date whether there is any indication that an asset may be impaired. The Corporation reviews and considers both internal and external sources of information that indicate any events or changes in circumstances causing the carrying amount of the non-financial assets not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount of the cash generating unit exceeds its recoverable amount, which is the higher of the cash generating unit's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive results of operations.

**Warranty liabilities**

Warranty claims liabilities include estimates of costs for claims reported and in process, and provisions for claims incurred but not yet reported at the statements of financial position date where it is anticipated that costs will be incurred by the Corporation.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The warranty period spans seven years and significant periods of time can elapse between the incurrence of claims liabilities and their settlement. Accordingly, the estimation of the liabilities involves significant measurement uncertainty.

The liabilities are discounted to reflect the investment income expected to be earned over the period between the incurrence and settlement of claims. The discount rate reflects the expected future yield from the fixed interest investments. Provisions for adverse deviation are added to allow for the inherent measurement uncertainty that arises because actual investment yields may differ from the discount rate; because the actual settlements may occur at amounts that differ from expected settlement amounts; and because the timing of settlements may differ from expected timing.

Claims incurred include claims recoveries and changes in the provisions for claims reported and in process and for claims incurred but not yet reported.

Claims recoveries include amounts recovered from builders on claims incurred during the current year or in previous years and changes in the estimate of amounts recoverable from builders on outstanding warranty claims liabilities. Estimated amounts recoverable from builders are presented on the statements of financial position as an asset of the Corporation.

### Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as a separate asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Expenses related to any provision are presented in the statements of comprehensive results of operations net of any reimbursement.

### Employee future benefits

In-addition to participating in a government managed employee benefit plan, the Corporation has the following employee benefit plans:

- A pension plan consisting of a fully vested and closed defined benefit pension plan, and an active defined contribution plan where employees become vested after two years of employment; and
- A post-employment pension and medical benefits plan for employees.

The costs of pension and other post-employment benefits earned by employees are actuarially determined using the projected unit credit valuation method. This takes into account management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains and losses are recognized as part of other comprehensive income in the period they occur.

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets. The defined benefit asset or liability comprises the net present value of the defined benefit obligation less past service costs not yet amortized and less the fair value of the plan assets, out of which obligations are to be settled. Plan assets are held in a trust and are not available to creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value is based on market price information. The value of any asset recognized is restricted to the sum that can be used to reduce future contributions to the plan.

The Corporation's contributions to the defined contribution pension plan are expensed in the statements of comprehensive results of operations in the year to which they relate and are included as part of salaries and benefits expenses.

**Revenue recognition**

- *Home enrolment fees earned and builders' registration and renewal fees*

  Home enrolment fees are remitted by builders during the year. These fees are deferred and taken into revenue as earned based on the expected claims experience over the warranty period. The deferred portion of home enrolment fees is included in warranty liabilities. If claims experience indicates that home enrolment fees collected will not be sufficient to discharge related liabilities, a provision for premium deficiency is included in the warranty liabilities.

  Builders' registration fees are recorded as revenue upon registration and renewal fees are recorded as revenue in the year in which they are due.

  Other revenue comprises of various administration fees charged for services generally related to the handling of claims and licensing and underwriting. These fees are recorded as earned.

- *Investment income*

  Dividend income is recognized as of the declaration date. Interest income is accrued on time proportion basis at the effective rate when it is probable that the Corporation will receive the economic benefit and the amount of revenue can be measured reliably. Net realized gains or losses on investments are recognized on a trade date basis. Unrealized gains or losses based on the fair value in effect at the statements of financial position date on financial assets classified as fair value through profit or loss are recognized in investment income.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Interest expense

Interest paid is recognized in the statements of comprehensive results of operations as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing liability.

### Currency translation

The Corporation's financial statements are presented in Canadian dollars, the functional currency of the Corporation and the currency of the primary economic environment in which the Corporation operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-end rate. The translation impact is recorded in the statements of comprehensive results of operations in the period in which they arise. Exchange gains or losses on financial assets at fair value through profit or loss are reported as part of investment income in the statements of comprehensive results of operations. Revenue and expense items in a foreign currency are translated into Canadian dollars at the transaction date rate.

### Subsequent events

Subsequent events are events that occur after the reporting period, December 31, 2011, and up to the date when the financial statements are authorized for issue, April 19, 2012. All events subsequent to December 31, 2011 and for which IFRS require adjustment or disclosure would be adjusted or disclosed, as appropriate, by the Corporation. In addition, accounting estimates and disclosures included in the financial statements that are impacted by events after the reporting period would be appropriately adjusted. There are no subsequent events requiring adjustment or disclosure as of April 19, 2012.

### Future accounting changes

*IFRS 4 – Insurance Contracts*

The Corporation is awaiting additional pronouncements from the IASB related to the accounting and reporting standards of *IFRS 4 – Insurance Contracts*, expected to be mandatory in 2015.

*IFRS 9 – Financial Instruments*

The Corporation has early adopted IFRS 9 and the impact has been quantified in Note 2(f). As the standard is further revised the Corporation will update the financial statements to reflect the most recent IFRS standards.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Corporation's financial statements are listed below:

*IFRS 9 – Financial Instruments*

In November 2009, the IASB released IFRS 9, which replaces IAS 39 and *IFRIC 9 – Reassessment of embedded derivatives*. The standard introduced new reporting requirements for financial instruments with a focus on the measurement and disclosure of the fair value of such assets and liabilities. The standard becomes effective for financial years beginning on or after January 1, 2015 but the Corporation has elected to early adopt. The impact of the new standard has been quantified in Note 2(f).

*IFRS 13 – Fair Value Measurement*

In May 2011, the IASB released a new version of *IFRS 13 – Fair Value Measurement*. The standard includes increased disclosure requirements regarding information about Level 3 fair value measurements. The standard becomes effective for financial years beginning on or after January 1, 2013. The Corporation has reviewed the new standard and concluded that it will not have a significant impact on the financial statements.

*IAS 1 – Presentation of Financial Statements*

Effective January 1, 2013, the Corporation will adopt the guidance in the amended IAS 1: *Presentation of Financial Statements*. The amended standard includes requirements that Other Comprehensive Income be classified by nature and grouped between those items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. Other amendments include changes to overall financial statement presentation. The Corporation has reviewed the amended standard and concluded that it will not have a significant impact on the financial statements.

*IAS 17 – Leases*

The IASB issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the statements of financial position at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist. The impact of adoption of the proposed changes will be determined by the Corporation once the final lease standard is issued, which is proposed to be later in 2012.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*IAS 19 – Employee Benefits*

In June 2011, the IASB released a new version of *IAS 19 – Employee Benefits*. The standard eliminated the corridor method of recording gains and losses. It also adjusted the presentation of certain items arising from defined benefit plans and enhanced the disclosure requirements. The standard becomes effective for financial years beginning on or after January 1, 2013. The Corporation has reviewed the new standard and concluded that it will not have a significant impact on the financial statements.

## 5. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Actual amounts could differ from those estimates.

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

- Internally generated software enhancements

  Internally generated software enhancements costs are capitalized in accordance with specified criteria in IFRS.

*Use of estimates*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Valuation of warranty liabilities

  Warranty claims liabilities include estimates of costs for claims reported and in process, and provisions for claims incurred but not yet reported at the statements of financial position date where it is anticipated that costs will be incurred by the Corporation. The amount of claims liabilities equals the present value, at the statements of financial position date, of cash flows on account of claims (and related expenses) incurred before that date. The ultimate cost of outstanding claims is estimated by using actuarial valuation taking into account the Corporation's claims handling practices, actuarial assessments, the judgment of management, difference between actual and expected settlement amounts, historical precedents and trends, prevailing legal, economic, social and regulatory environments and expectations of future developments. Details of the key assumptions used in the estimates are contained in Note 14.

  During the year, the Corporation made a change to the estimate of the warranty liabilities and its associated amounts recoverable from builders on defense litigation claims cases. Previously the Corporation provided for the expected amount of the total remediation claim costs and recorded an

### 5. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

expense recovery from builders who were also involved in the claim plus any adjustments required to the related portion of the incurred but not reported claims. The warranty liabilities amounts presented in Note 14 are now stated at the actual amount expected to be paid directly by the Corporation to settle its obligations which more accurately reflects the amounts paid in the normal course of operations.

- Valuation of trade and other receivables from vendors and builders

  Trade and other receivables from vendors and builders recorded in the statements of financial position cannot directly be derived from active markets. It is measured at amortized cost less impairment. The carrying value is based on management's best estimate of recoverable value determined by considering past collection experience, financial condition of the builders, security held, legal action sought and judgments awarded. Details of the key assumptions used in the estimates are contained in Note 11.

- Revenue recognition of home enrolment fees earned

  Home enrolment fees are deferred and taken into revenue as earned based on the expected claims experience over the warranty period. The deferred portion of home enrolment fees is included in warranty liabilities. The results are subject to significant uncertainty based on the actual claims experience over the warranty period. Details of the key assumptions used in the estimates are contained in Note 14.

- Useful lives of depreciable assets

  The Corporation reviews the useful lives of depreciable assets at each reporting date. At December 31, 2011 and 2010, management assessed that the useful lives reflect the expected utility of the assets to the Corporation.

- Employee future benefits

  The costs of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 13.

($CAD thousands)

## 6. INVESTMENT INCOME

| | 2011 | 2010 |
|---|---|---|
| Change in fair value on fixed income portfolio | $ 8,073 | $ 5,331 |
| Interest income from fixed income portfolio | 9,453 | 8,493 |
| Change in fair value on equity portfolio | (7,430) | 8,811 |
| Dividends from equity portfolio | 3,032 | 2,464 |
| Foreign exchange gains (losses) | 14 | (22) |
| Total investment income | $ 13,142 | $ 25,077 |

## 7. INTEREST EXPENSE

| | 2011 | 2010 |
|---|---|---|
| Interest on funds held as security (note 15) | $ 394 | $ 163 |
| Interest on lease obligations (note 17) | 102 | 108 |
| Total interest expense | $ 496 | $ 271 |

## 8. EQUIPMENT AND LEASEHOLDS

Equipment and leaseholds consist of the following as at December 31, 2011 and 2010:

| | Computer Equipment | Furniture and office equipment | Leashold improvements | Computer and office equipment under finance lease | Total |
|---|---|---|---|---|---|
| ***At cost*** | | | | | |
| Balance at January 1, 2011 | $ 1,511 | $ 1,547 | $ 1,711 | $ 2,590 | $ 7,359 |
| Additions | 4 | 9 | 1,335 | 1,511 | 2,859 |
| Disposals | (179) | (86) | (631) | (1,010) | (1,906) |
| Balance at December 31, 2011 | 1,336 | 1,470 | 2,415 | 3,091 | 8,312 |
| ***Accumulated depreciation*** | | | | | |
| Balance at January 1, 2011 | $ 1,347 | $ 1,073 | $ 1,082 | $ 1,657 | $ 5,159 |
| Depreciation expense | 67 | 104 | 202 | 650 | 1,023 |
| Disposal | (179) | (86) | (631) | (708) | (1,604) |
| Balance at December 31, 2011 | 1,235 | 1,091 | 653 | 1,599 | 4,578 |
| ***Carrying amount*** | | | | | |
| Balance at December 31, 2011 | $ 101 | $ 379 | $ 1,762 | $ 1,492 | $ 3,734 |

In 2011, the corporation returned equipment under finance lease in order to obtain newer equipment. The remaining unamortized balance associated with the lease was written off and the Corporation recorded a charge against the lease obligation of $302.

**($CAD thousands)**

## 8. EQUIPMENT AND LEASEHOLDS (continued)

| | | Computer Equipment | | Furniture and office equipment | | Leashold improvements | | Computer and office equipment under finance lease | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| ***At cost*** | | | | | | | | | | |
| Balance at January 1, 2010 | $ | 1,395 | $ | 1,544 | $ | 3,046 | $ | 2,188 | $ | 8,173 |
| Additions | | 116 | | 3 | | 59 | | 402 | | 580 |
| Impairment | | - | | - | | (1,394) | | - | | (1,394) |
| Balance at December 31, 2010 | | 1,511 | | 1,547 | | 1,711 | | 2,590 | | 7,359 |
| ***Accumulated depreciation and impairment losses*** | | | | | | | | | | |
| Balance at January 1, 2010 | $ | 1,258 | $ | 954 | $ | 1,350 | $ | 1,198 | $ | 4,760 |
| Depreciation expense | | 89 | | 119 | | 335 | | 459 | | 1,002 |
| Impairment | | - | | - | | (603) | | - | | (603) |
| Balance at December 31, 2010 | | 1,347 | | 1,073 | | 1,082 | | 1,657 | | 5,159 |
| ***Carrying amount*** | | | | | | | | | | |
| Balance at December 31, 2010 | $ | 164 | $ | 474 | $ | 629 | $ | 933 | $ | 2,200 |

*Impairment*

In 2010, the Corporation entered into an agreement with its landlord to relocate a portion of its leased premises. The unamortized balance of leasehold improvements associated with the original lease was written off and the Corporation recorded an impairment charge of $791 on its leasehold improvements. The impairment charge is included in the depreciation and amortization expense.

*Finance Leases*

The Corporation has leased computers and other office equipment that qualifies as a finance lease. The balance of the finance lease obligations arising from the acquisition of certain computer and office equipment are reported separately on the statements of financial position. See Note 17 for future minimum lease payments.

**($CAD thousands)**

## 9. INTANGIBLE ASSETS

The Corporation's intangible assets are comprised of externally purchased software and applications and internally developed software enhancements.

| | Software and applications | Internal software enhancements | Total |
|---|---|---|---|
| ***At cost*** | | | |
| Balance at January 1, 2011 | $ 6,822 | $ 5,422 | $ 12,244 |
| Additions | 882 | 694 | 1,576 |
| Disposals | (2,307) | (3,765) | (6,072) |
| Balance at December 31, 2011 | 5,397 | 2,351 | 7,748 |
| ***Accumulated amortization*** | | | |
| Balance at January 1, 2011 | $ 5,378 | $ 4,362 | $ 9,740 |
| Amortization expense | 627 | 448 | 1,075 |
| Disposal | (2,307) | (3,765) | (6,072) |
| Balance at December 31, 2011 | 3,698 | 1,045 | 4,743 |
| ***Carrying amount*** | | | |
| Balance at December 31, 2011 | $ 1,699 | $ 1,306 | $ 3,005 |

| | Software and applications | Internal software enhancements | Total |
|---|---|---|---|
| ***At cost*** | | | |
| Balance at January 1, 2010 | $ 5,569 | $ 4,614 | $ 10,183 |
| Additions | 1,253 | 808 | 2,061 |
| Balance at December 31, 2010 | 6,822 | 5,422 | 12,244 |
| ***Accumulated amortization*** | | | |
| Balance at January 1, 2010 | $ 4,880 | $ 3,790 | $ 8,670 |
| Amortization expense | 498 | 572 | 1,070 |
| Balance at December 31, 2010 | 5,378 | 4,362 | 9,740 |
| ***Carrying amount*** | | | |
| Balance at December 31, 2010 | $ 1,444 | $ 1,060 | $ 2,504 |

There were no write-downs of intangible assets due to impairment during 2011 and 2010. Development costs recognized as an expense under general and administrative in the statements of comprehensive results of operations during the financial year amount to $420 (2010 - $403).

**($CAD thousands)**

## 10. FINANCIAL INSTRUMENTS

*(a) Fair value*

Fair value represents the amount that would be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation's cash and cash equivalents and investments are measured at fair value. The carrying value for funds held as security and accounts payable and accrued liabilities approximates fair value due to their short term nature.

The Corporation has classified the fixed income portfolio and the equity portfolio as FVTPL financial assets. Both classes of assets are reported at fair value based on quoted bid prices in active markets on the statements of financial position. The fair values of bonds and equities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at December 31.

The fair value of trade and other receivables from vendors and builders approximates carrying value; there is no external active market for this type of asset and the inputs required to value these are primarily based on the Corporation's assumptions about the credit quality of the vendors and builders, and the availability of collateral for the receivable. See Note 11 on the valuation methodology used. A discounted cash flow analysis is performed over the expected cash flows to be recovered from the vendors and builders.

The following table discloses the categories of financial instruments as at December 31:

| | 2011 Fair Value | 2010 Fair Value | January 1, 2010 Fair Value |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss (FVTPL) | | | |
| Federal, provincial and municipal government bonds | $ 91,147 | $ 95,599 | $ 108,507 |
| Financial institution bonds | 105,508 | 54,087 | 30,049 |
| Other corporate bonds | 45,020 | 76,687 | 71,577 |
| Treasury bills/Short Term Notes | 11,577 | 8,788 | 12,297 |
| | 253,252 | 235,161 | 222,430 |
| Equity portfolio | 117,094 | 104,346 | 90,011 |
| | 370,346 | 339,507 | 312,441 |
| Cash and cash equivalents | 2,527 | 2,163 | 2,851 |
| | 372,873 | 341,670 | 315,292 |
| Financial assets measured at amortised cost | | | |
| Trade receivables from vendors and builders (note 11) | 1,273 | 1,574 | 2,403 |
| Total financial assets | $ 374,146 | $ 343,244 | $ 317,695 |
| Financial liabilities measured at amortized cost | | | |
| Funds held as security (note 15) | $ 40,901 | $ 39,950 | $ 38,876 |
| Accounts payable and accrued liabilities | 7,640 | 7,087 | 8,677 |
| Total financial liabilities | $ 48,541 | $ 47,037 | $ 47,553 |

**($CAD thousands)**

## 10. FINANCIAL INSTRUMENTS (continued)

Upon the adoption of *IFRS 9 – Financial Instruments*, the Corporation was required to reclassify the $90,011 equity portfolio from available for sale to FVTPL. The investments in equity instruments are classified as a FVTPL as the portfolio does not meet the definition of financial assets at amortized cost. The table below illustrates the classification and measurement of financial assets under IFRS 9 and previous CGAAP at the date of initial application, January 1, 2010:

| | Measurement category under CGAAP | Measurement category under IFRS 9 | CGAAP carrying amount | IFRS carrying amount |
|---|---|---|---|---|
| | | | $ | $ |
| Fixed income portfolio | Held for trading | FVTPL | 222,430 | 222,430 |
| Equity portfolio | Available for sale | FVTPL | 90,011 | 90,011 |
| Trade receivables from vendor and builders (note 11) | Loans and receivables | Financial assets at amortized cost. | 2,403 | 2,403 |
| Cash and cash equivalents (note 12) | Held for trading | FVTPL | 2,851 | 2,851 |

*Fair value hierarchy*

*IFRS 9 – Financial Instruments* requires classifying of fair value measurements using a three-level fair value hierarchy, described below, for disclosure purposes. Each level reflects the inputs used to measure the fair values of financial assets and financial liabilities:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are based on unobservable market data.

The following table presents the financial instruments measured at fair value classified by the fair value hierarchy:

| | 2011 | 2010 | January 1, 2010 |
|---|---|---|---|
| **Level 1 Categorization** | | | |
| Cash and cash equivalents | $ 2,527 | $ 2,163 | $ 2,851 |
| Equity portfolio | 117,094 | 104,346 | 90,011 |
| **Level 2 Categorization** | | | |
| Treasury bills / Short Term Notes | 11,577 | 8,788 | 12,297 |
| Bonds | 241,675 | 226,373 | 210,133 |
| **Level 3 Categorization** | - | - | - |
| **Total** | $ 372,873 | $ 341,670 | $ 315,292 |

During the years ended December 31, 2011 and 2010, there were no transfers among Levels 1, 2 and 3.

**($CAD thousands)**

### 10. FINANCIAL INSTRUMENTS (continued)

*(b) Market risk*

To manage the risks in the investment portfolio, management regularly monitors the performance of investment managers who are required to operate within specific investment criteria related to credit quality, diversification and to maximize yield within those constraints.

Market risk is comprised of three risks that may impact the fair value of a financial instrument as described below.

- *Interest rate risk*
  Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on its fixed income portfolio and its funds held as security. Details of the Corporation's fixed income portfolio with interest rate exposure as at December 31 are disclosed below:

**2011**

Terms of Maturity

| | Due within one year | Due one through five years | Due five through ten years | Due ten through twenty years | Due after twenty years | Total |
|---|---|---|---|---|---|---|
| Government | | | | | | |
| Federal | $ 30,937 | $ 37,589 | $ 706 | $ 5,488 | $ 9,621 | $ 84,341 |
| Yield to Maturity (YTM) | 1.1% | 1 1% | 2 0% | 2 4% | 2 3% | 1 3% |
| Provincial | - | 2,168 | 4,055 | 355 | - | 6,578 |
| YTM | - | 1 5% | 2 2% | 3 3% | - | 2 0% |
| Treasury Bills | 4,741 | - | - | - | - | 4,741 |
| YTM | 0 8% | - | - | - | - | 0 8% |
| Total Government | 35,678 | 39,757 | 4,761 | 5,843 | 9,621 | 95,660 |
| YTM (%) | 1 1% | 1 1% | 2 2% | 2 4% | 2 3% | 1 4% |
| Financial Institutions | - | 80,586 | 13,183 | 546 | 10,115 | 104,430 |
| YTM | - | 1 8% | 3 1% | 4 6% | 4 7% | 2 3% |
| Other Corporate | - | 18,226 | 13,421 | 1,787 | 11,085 | 44,519 |
| YTM | - | 2 1% | 3 3% | 4 0% | 4 5% | 3 1% |
| Short Term Notes | 6,834 | - | - | - | - | 6,834 |
| YTM | 1 4% | - | - | - | - | 1 4% |
| Total Fixed Income | $ 42,512 | $ 138,569 | $ 31,365 | $ 8,176 | $ 30,821 | $ 251,443 |
| Accrued Interest | 1,809 | | | | | 1,809 |
| **Total Fixed Income with Accrued Interest** | **$ 44,321** | **$ 138,569** | **$ 31,365** | **$ 8,176** | **$ 30,821** | **$ 253,252** |
| **YTM** | **1.1%** | **1.7%** | **3.1%** | **2.9%** | **3.9%** | **2.0%** |

(1) The timing of actual maturities may differ from the contractual maturities shown above, since borrowers may have the right to prepay obligations with or without prepayment penalties

**($CAD thousands)**

## 10. FINANCIAL INSTRUMENTS (continued)

**2010**

Terms of Maturity

| | Due within one year | Due one through five years | Due five through ten years | Due ten through twenty years | Due after twenty years | Total |
|---|---|---|---|---|---|---|
| Government | | | | | | |
| Federal | $ 11,799 | $ 48,416 | $ 2,023 | $ 6,488 | $ 7,938 | $ 76,664 |
| Yield to Maturity (YTM) | 1 3% | 1 8% | 2 7% | 3 4% | 3 6% | 2 0% |
| Provincial | - | 3,405 | 9,018 | 5,563 | - | 17,986 |
| YTM | - | 2 3% | 3 3% | 4 0% | - | 3 3% |
| Municipal | - | - | 560 | - | - | 560 |
| YTM | - | - | 3 9% | - | - | 3 9% |
| Treasury Bills | 7,420 | - | - | - | - | 7,420 |
| YTM | 1 4% | - | - | - | - | 1 4% |
| Total Government | 19,219 | 51,821 | 11,601 | 12,051 | 7,938 | 102,630 |
| YTM (%) | 1 3% | 1 8% | 3 2% | 3 7% | 3 6% | 2 2% |
| Financial Institutions | - | 29,364 | 16,241 | - | 8,148 | 53,753 |
| YTM | - | 2 8% | 3 6% | - | 4 8% | 3 4% |
| Other Corporate | 1,047 | 24,234 | 24,403 | 5,554 | 20,554 | 75,792 |
| YTM | 1 9% | 2 7% | 3 8% | 4 7% | 5 1% | 3 8% |
| Short Term Notes | 1,361 | - | - | - | - | 1,361 |
| YTM | 1 4% | - | - | - | - | 1 4% |
| Total Fixed Income | $ 21,627 | $ 105,419 | $ 52,245 | $ 17,605 | $ 36,640 | $ 233,536 |
| Accrued Interest | 1,625 | | | | | 1,625 |
| **Total Fixed Income with Accrued Interest** | **$ 23,252** | **$ 105,419** | **$ 52,245** | **$ 17,605** | **$ 36,640** | **$ 235,161** |
| **YTM** | **1.4%** | **2.3%** | **3.6%** | **4.0%** | **4.7%** | **3.0%** |

(1) The timing of actual maturities may differ from the contractual maturities shown above, since borrowers may have the right to prepay obligations with or without prepayment penalties.

($CAD thousands)

## 10. FINANCIAL INSTRUMENTS (continued)

- *Equity price risk*
  Equity price risk is the risk that the value of a financial instrument will fluctuate due to changes in equity markets. The Corporation is exposed to equity price risk on its equity portfolio. The Corporation's equity portfolio is diversified and invested in well established, active, liquid markets.

| | 2011 | | 2010 | | January 1, 2010 | |
|---|---|---|---|---|---|---|
| Financials | $ 32,493 | 28% | $ 30,930 | 30% | $ 26,566 | 30% |
| Energy | 23,670 | 20% | 23,126 | 22% | 21,138 | 23% |
| Consumer Staples | 13,543 | 12% | 11,025 | 11% | 8,826 | 10% |
| Consumer Discretionary | 9,886 | 8% | 9,827 | 9% | 7,794 | 9% |
| Industrials | 12,131 | 10% | 9,212 | 9% | 7,628 | 8% |
| Telecommunication | 11,372 | 10% | 7,007 | 7% | 6,189 | 7% |
| Materials | 4,906 | 4% | 3,772 | 4% | 2,755 | 3% |
| Information Technology | 2,113 | 2% | 2,805 | 3% | 2,149 | 2% |
| Health Care | 2,920 | 2% | 2,687 | 3% | 2,493 | 3% |
| Metals & Mining | 1,914 | 2% | 2,190 | 2% | 2,441 | 3% |
| Utilities | 1,611 | 1% | 1,295 | 1% | 1,476 | 2% |
| Service | 187 | 0% | 270 | 0% | 175 | 0% |
| Other | 348 | 0% | 200 | 0% | 381 | 0% |
| **Total:** | $ 117,094 | 100% | $ 104,346 | 100% | $ 90,011 | 100% |

- *Foreign currency risk*
  Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates versus the Canadian dollar. The Corporation is exposed to currency risk on its foreign currency denominated fixed-income and equity investments. As at December 31, 2011, the Corporation had approximately 9.4% (December 31, 2010 – 9.9%) of the fair value of its equity investments and approximately 0.32% (December 31, 2010 – 0.03%) of the fair value of its securities with interest rate exposure denominated in U.S. dollars. The Corporation manages its foreign currency exposure by limiting the foreign content in the investment managers' portfolio.

The table below shows the potential impact on the Statements of Comprehensive Results of Operations and Statements of financial position equity as a result of specific stress scenarios applied to financial assets and financial liabilities (excluding warranty liabilities). The analysis reflects management's view of key sensitivities. The actual results may differ from this sensitivity analysis and the difference could be material.

### 10. FINANCIAL INSTRUMENTS (continued)

The stress scenarios for 2011 are:

- Interest rate risk: an asymmetrical shift of -25/+75 basis points in interest rates for all maturities. Funds held as Securities are credited at floating interest rates (Prime-2%) and are changed semi-annually to calculate the interest paid on security. The annual interest paid impact on a -25/+75 basis points change in interest rates is disclosed below.
- Equity price risk: an increase/decrease of 10% in equity market prices.
- Foreign currency risk: a strengthening/weakening of 5% in the Canadian dollar relative to the U.S. dollar.

| | Carrying amount | Interest Rate Risk | | Equity Price Risk | | Foreign Exchange Rate Risk | |
|---|---|---|---|---|---|---|---|
| | | -25 BP | +75 BP | -10% | 10% | -5% | 5% |
| | ($'000) | ($'000) | ($'000) | ($'000) | ($'000) | ($'000) | ($'000) |
| **Financial Assets** | | | | | | | |
| FVTPL investments: | | | | | | | |
| Fixed income portfolio | 253,252 | 2,709 | (7,648) | - | - | - | - |
| Equity portfolio | 117,094 | - | - | (11,661) | 11,661 | 578 | (523) |
| **Financial Liabilities** | | | | | | | |
| Funds held as security | 39,663 | 99 | (297) | - | - | - | - |

For the above scenarios, the Corporation has assumed that interest rates, equity prices, and currency moved independently.

*(c) Credit risk*

Credit risk arises from the possibility of financial loss occurring as a result of a default by a counterparty on its obligation to the Corporation. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, investments and trade and other receivables from vendors and builders. The carrying value of financial assets, including cash and cash equivalents, investments and trade and other receivables from vendors and builders, represents the maximum credit exposure. The Corporation has adopted the following strategies to mitigate this risk:

- The Corporation's investment policies limits the concentration in any one investee or related group of investees, except for financial instruments issued by the Government of Canada for which there is no limit.
- The Corporation only deals with counterparties believed to be creditworthy and actively monitors credit exposure, requiring minimum credit ratings of "A" for debt securities at the time an investment is purchased. At December 31, 2011, 99.2% (December 31, 2010 – 99.4%) of the debt securities have a rating of "A" or better, and 0.8% (December 31, 2010 – 0.6%) of the debt securities have a rating of BBB.

## 10. FINANCIAL INSTRUMENTS (continued)

- Cash and cash equivalents and investments are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.
- The Corporation assesses the builder's risk profile including financial health during the registration and renewal processes. Based on the assessment, a builder may be licensed and as disclosed in Note 15, security is obtained in the form of cash, letters of credit, and other guarantees from the builder in order to reduce the risk of financial loss related to future warranty claims from homeowners.

*(d) Liquidity risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, operating expenses and cash security releases. The settlement of claims have no fixed terms and is dependent on the timing of the repair work involved and the cash security release has no fixed terms and is contingent upon fulfilment of certain requirements (see Note 15). Liquidity risk is considered low as a significant percentage of the investment portfolio is traded in an active market and can be readily disposed of. The Corporation also has a $3,000 (December 31, 2010 - $3,000, January 1, 2010 – $3,000) line of credit it can draw on of which the amount outstanding at December 31, 2011, December 31, 2010 and January 1, 2010 is Nil.

## 11. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS

Trade and other receivables from vendors and builders consist of three types of receivables:

- Trade receivables from vendors and builders represent amounts receivable arising from warranty claims that the Corporation has paid out on behalf of vendors and builders during the remediation process. Trade receivables from vendors and builders are measured at amortized cost less impairment. Amounts receivable from registered builders are classified as financial assets. All the amounts are due immediately. Fair value of trade receivables is disclosed in Note 10.

- Amounts recoverable from vendors and builders represent the estimated amounts recoverable from vendors and builders in respect to the outstanding warranty claims recognized under the warranty liabilities. Amounts are invoiced to the vendors and builders only when the Corporation has paid out monies for the claim.

- Other receivables from vendors and builders represent other receivables such as enrolment and/or registration fees.

**($CAD thousands)**

## 11. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS (continued)

| | 2011 | 2010 | January 1, 2010 |
|---|---|---|---|
| Gross trade receivables | $ **22,039** | $ 34,543 | $ 38,419 |
| Less: Allowance for impairment | **(20,766)** | (32,969) | (36,016) |
| Trade receivables | **1,273** | 1,574 | 2,403 |
| Amounts recoverable from vendors and builders | **2,169** | 6,648 | 8,853 |
| Other receivables from vendors and builders | **621** | 569 | 357 |
| | $ **4,063** | $ 8,791 | $ 11,613 |

Before accepting registration for any vendor and builder, the Corporation undergoes an underwriting process that typically includes obtaining an external credit score to assist in assessing the applicant's credit quality, an assessment of the applicant's construction expertise, the applicant's business acumen and where applicable, the merits of the applicant's proposal to construct a building or project. Terms and conditions of registration vary from applicant to applicant but typically include limits on the volume and type of new home construction, and a requirement to provide security and/or indemnitors. Assessments are revisited annually at registration renewal time or earlier if additional risk factors surface

There are three vendors and builders each of whom represent more than 5% of the balance of trade receivables net of allowances as at December 31, 2011 (December 31, 2010 – none, January 1, 2010 – none). However, due to trade receivables being almost fully reserved, the overall net exposure to these vendors and builders as at December 31, 2011 is only $375.

As described in Note 15, the Corporation obtains security from builders to minimize its financial losses from future warranty claims. At December 31, 2011 there is $1,503 (December 31, 2010 - $2,396, January 1, 2010 -$4,254) of cash and non-cash security held associated with the trade and other receivables from vendors and builders.

*Unregistered vendors and builders*

Warranty coverage is also available for homes which were built by unregistered builders. However, under the Act, unregistered builders are deemed to be building illegally and are subject to prosecution and are required to indemnify the Corporation for any financial loss the Corporation incurs with respect to the homes the unregistered vendors and builders built. Included in the total trade and other receivables from vendors and builders as at December 31, 2011 are amounts recoverable from unregistered vendors and builders of $205 (December 31, 2010 - $175, January 1, 2010 - $959).

*Aging of past due but not impaired*

In assessing the impairment of the Trade and other receivables from vendors and builders, the Corporation individually assesses accounts that are greater than $50 or greater based on the credit history of the vendor/builder, its financial condition, security held, legal action sought and judgment awarded. For accounts less than $50, a general recovery rate is applied.

($CAD thousands)

## 11. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS (continued)

The rate used depends on the account status as to whether it is in collection litigation or active collection. The recoverability rates are based on trailing averages. As at December 31, 2011 and 2010, a 1% change in these rates would have an impact of $18. These rates are recalculated annually and assessed for reasonability.

Actual recovery on these balances may differ if the financial health of the vendor/builder changes, if the guarantors/indemnitors financial situation changes and/or if the court or tribunal's decision differs from that of the Corporation. The objective evidence of impairment for the amounts recoverable from builders includes the Corporation's past collection experience, financial condition of the builders, security held, legal action sought, and judgments awarded.

As at December 31, 2011, the trade and other receivables from vendors and builders includes $758 (December 31, 2010 - $1,065, January 1, 2010 - $1,486) that are greater than 90 days past due but not considered to be impaired. The Corporation considers registered builders who have past due but not impaired balances to be able to pay their debts as they fall due. The Corporation does not hold any collateral over these balances except for cash and non-cash securities as noted above, but does have credit enhancement in the form of indemnities for the balances of which have been reflected in the recoverable amounts.

| | **2011** | 2010 | January 1, 2010 |
|---|---|---|---|
| 1 to 90 Days | $ **515** | $ 509 | $ 917 |
| 90 to 360 Days | **293** | 267 | 483 |
| Over 360 Days | **465** | 798 | 1,003 |
| | $ **1,273** | $ 1,574 | $ 2,403 |

*Movement in Trade receivables*

| | **2011** | 2010 |
|---|---|---|
| Gross Trade Receivables | | |
| Beginning of year | $ **34,543** | $ 38,419 |
| New Bills Issued | **7,036** | 12,482 |
| Write-offs Processed | **(14,855)** | (7,910) |
| Recoveries | **(4,685)** | (8,448) |
| End of year | **22,039** | 34,543 |
| Allowance for Doubtful Accounts | | |
| Beginning of year | **(32,969)** | (36,016) |
| Impairment Losses Recognized (net of recoveries) | **(2,652)** | (4,863) |
| Write-offs Processed | **14,855** | 7,910 |
| End of year | $ **(20,766)** | $ (32,969) |
| Trade Receivables, End of year | $ **1,273** | $ 1,574 |

## 12. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash at the bank and on hand and investments in short term deposits with a maturity of up to three months on the date of purchase, net of outstanding bank overdrafts. At December 31, 2011, cash and cash equivalents was solely cash at the bank and on hand of $2,527 (December 31, 2010 - $2,163, January 1, 2010 - $2,851) with no short term deposits or bank overdrafts payable on demand. There are no restrictions, pledges or limitations to the use of the cash and cash equivalents. Cash at bank earns interest at floating rates based on prime less 2.5%. At December 31, 2011, the Corporation had available $3,000 (December 31, 2010 - $3,000, January 1, 2010 - $3,000) of undrawn committed line of credit.

## 13. EMPLOYEE FUTURE BENEFIT PLANS

The Corporation's Pension Plan is comprised of a defined benefit provision ("DB Plan") which is closed to further contributions, and a defined contribution provision ("DC Plan").

In addition, the Corporation provides other post-employment benefits ("OPEB"), primarily health and dental coverage, on an unfunded basis.

*Defined contribution plan*

The DC Plan is open to all full-time employees of the Corporation, subject to meeting certain eligibility conditions. Under the terms of the DC Plan, employees contribute a percentage of eligible employee earnings per year. The Corporation makes contributions for each contributing employee in amounts that vary dependent upon the employee's age and the number of years of eligible service.

There also exists a Supplementary Executive Retirement Plan ("SERP") for senior management. The purpose of the SERP is to offset the limitation on contributions otherwise payable under the registered pension plan resulting from the application of the maximum contribution limits specified under the Income Tax Act (Canada). The SERP provides only for benefits in excess of those payable under the Registered Plan.

*Defined benefit plan and other post-employment benefits*

The DB Plan is fully vested and closed to new employees effective January 1, 1999. Plan participants who elected not to convert to the defined contribution provision retained their DB pensions earned to date. For service subsequent to December 31, 1998, all members of the Pension Plan participate on a defined contribution basis.

The DB Plan and OPEB are subject to periodic actuarial valuations. The Corporation has a December 31 measurement date. A valuation of the accrued pension benefit obligation was performed as at January 1, 2010 and a valuation of the OPEB was performed as of December 31, 2011. The next valuation of the accrued pension benefit obligation is expected to be performed as at January 1, 2013 and the valuation of the OPEB will be performed as at December 31, 2014.

**($CAD thousands)**

### 13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The amounts recognized in the statements of financial position for employee future benefits liabilities at the statements of financial position date are as follows:

| | 2011 | | | 2010 | | | January 1, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | DB Plan | OPEB | Total | DB Plan | OPEB | Total | DB Plan | OPEB | Total |
| Fair value of pension assets | $ 4,074 | $ - | $ 4,074 | $ 4,138 | $ - | $ 4,138 | $ 3,748 | $ - | $ 3,748 |
| Present value of the defined benefit obligation | (5,042) | (3,925) | (8,967) | (4,166) | (4,028) | (8,194) | (3,793) | (3,038) | (6,831) |
| Net defined benefit obligation | (968) | (3,925) | (4,893) | (28) | (4,028) | (4,056) | (45) | (3,038) | (3,083) |
| Unamortized past service costs | - | 537 | 537 | - | 614 | 614 | - | 690 | 690 |
| Accrued liability | $ (968) | $ (3,388) | $ (4,356) | $ (28) | $ (3,414) | $ (3,442) | $ (45) | $ (2,348) | $ (2,393) |
| Employer contributions | $ - | $ 53 | $ 53 | $ 479 | $ 17 | $ 496 | $ - | $ - | $ - |
| Employee contributions | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Benefit payments and transfers to other plans | $ 22 | $ 53 | $ 75 | $ 300 | $ 17 | $ 317 | $ - | $ - | $ - |

The present value of the SERP obligation as at December 31, 2011 is $197 ($169 at December 31, 2010 and $84 at January 1, 2010), which is included in the OPEB amounts in the table above. The benefit payments to the SERP for the year ended December 31, 2011 were $35 (Nil in 2010).

Employer contributions to the DC Plan in December 31, 2011 were $1,014 ($991 in 2010). Employee contributions to the DC Plan in 2011 were $584 ($593 in 2010).

*Historical funding table*

The employee benefits amounts for the current and previous periods are as follows:

| | 2011 | 2010 | January 1, 2010 |
|---|---|---|---|
| Fair value of pension assets | $ 4,074 | $ 4,138 | $ 3,748 |
| Accrued benefit obligation, pension plan | (5,042) | (4,166) | (3,793) |
| Deficit | (968) | (28) | (45) |
| Accrued benefit obligation, OPEB | (3,728) | (3,859) | (2,954) |
| Accrued benefit obligation, SERP | (197) | (169) | (84) |
| Net employee benefits obligation reported | $ (4,893) | $ (4,056) | $ (3,083) |
| Experience adjustments on employee future benefits liabilities | $ (11) | $ (912) | $ - |
| Experience adjustments on pension assets | $ (310) | $ (38) | $ - |

As of December 31, 2011, the current liabilities are $18 ($18 as of December 31, 2010) with respect to the OPEB plan. There are no current liabilities with respect to the other plans.

**($CAD thousands)**

### 13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The movements in the present value of accrued benefit obligation are as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | DB Plan | OPEB | Total | DB Plan | OPEB | Total |
| Opening balance | $ (4,166) | $ (4,028) | $ (8,194) | $ (3,793) | $ (3,038) | $ (6,831) |
| Current service cost | - | (369) | (369) | - | (324) | (324) |
| Past service cost | - | - | - | - | - | - |
| Interest costs | (229) | (239) | (468) | (237) | (207) | (444) |
| Benefit payments | 22 | 53 | 75 | 300 | 17 | 317 |
| Actuarial gain/loss | (669) | 658 | (11) | (436) | (476) | (912) |
| Curtailments/settlements | - | - | - | - | - | - |
| Accrued pension obligation, end of year | $ (5,042) | $ (3,925) | $ (8,967) | $ (4,166) | $ (4,028) | $ (8,194) |

The movements in the fair value of plan assets are as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | DB Plan | OPEB | Total | DB Plan | OPEB | Total |
| Opening balance | $ 4,138 | $ - | $ 4,138 | $ 3,748 | $ - | $ 3,748 |
| Contributions by employer | - | 53 | 53 | 479 | 17 | 496 |
| Expected return on plan assets | 268 | - | 268 | 249 | - | 249 |
| Actuarial gains/(losses) | (310) | - | (310) | (39) | - | (39) |
| Benefits paid | (22) | (53) | (75) | (299) | (17) | (316) |
| Curtailments/settlements | - | - | - | - | - | - |
| Plan assets, end of year | $ 4,074 | $ - | $ 4,074 | $ 4,138 | $ - | $ 4,138 |

The major categories of plan assets at the end of the reporting period for each category are as follows:

| | Fair Value of DB Plan Assets | |
|---|---|---|
| | 2011 | 2010 |
| Canadian equity securities | 35% | 36% |
| International and US equity securities | 28% | 26% |
| Bonds | 31% | 34% |
| Cash | 6% | 4% |
| | 100% | 100% |

The overall expected rate of return on the DB assets for 2011 and 2010 is 6.50% and it is a weighted average of the expected returns of various categories of plan assets held. The actual return on plan assets of the DB Plan was $(42) (actual return in 2010 was $211).

A discount rate of 4.5% per annum and 4.75% per annum was used for the disclosures at December 31, 2011 for the DB and OPEB respectively. Specifically, the discount rate was determined as the single discount rate that would produce the present value of obligations determined by discounting the plans cash flows using Corporate AA spot rates at December 31, 2011.

($CAD thousands)

### 13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The amounts recognized in the statements of comprehensive results of operations in respect of the employee benefits liabilities are as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | DB Plan | OPEB | Total | DB Plan | OPEB | Total |
| Current service costs | $ - | $ 369 | $ 369 | $ - | $ 324 | $ 324 |
| Interest costs | 229 | 239 | 468 | 237 | 207 | 444 |
| Expected return on plan assets | (268) | - | (268) | (249) | - | (249) |
| Curtailment/settlements | - | - | - | - | - | - |
| Amortization of past service costs | - | 77 | 77 | - | 76 | 76 |
| Net expense | $ (39) | $ 685 | $ 646 | $ (12) | $ 607 | $ 595 |
| Actuarial gains/(losses) charged to Other Comprehensive Income | (979) | 658 | (321) | (475) | (476) | (951) |

The net expense for the SERP in 2011 was $62 ($84 in 2010). The net expense for the DC Plan in 2011 was $1,014 ($991 in 2010).

Service cost is reported as part of the Corporation's total salaries & benefit expense in the statements of comprehensive results of operations.

*Significant assumptions*

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. The expected rate of return of 6.50% was used in 2011 and 2010. The discount rate was determined with reference to market interest rates of AA corporate bond yields.

($CAD thousands)

## 13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The principle actuarial assumptions used in determining the pension benefit obligation for the Corporation's plans are as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **DB Plan** | **OPEB** | DB Plan | OPEB |
| Expected rate of return on pension assets | 6.50% | N/A | 6.50% | N/A |
| Accrued benefit obligation as of December 31 | | | | |
| Discount rate | 4.50% | 4.75% | 5.50% | 5.75% |
| Salary increase | 3.50% | N/A | 3.50% | N/A |
| General inflation | 2.50% | 2.50% | 2.50% | 2.50% |
| Benefit cost for the period: | | | | |
| Discount rate | 5.50% | 5.75% | 6.50% | 6.50% |
| Salary increase | 3.50% | N/A | 4.00% | N/A |
| General inflation | 2.50% | 2.50% | 2.50% | 2.50% |
| Assumed health care cost trend rates at December 31 | | | | |
| Initial health care cost trend rate | N/A | 8.00% | N/A | 7.50% |
| Cost trend rate declines to | N/A | 5.00% | N/A | 5.00% |
| Year that the rate reaches the rate it is assumed to remain at | N/A | 2018 | N/A | 2016 |

*Sensitivity analysis for OPEB*

Assumed health and dental care cost trend rates have a significant effect on the amounts reported for the health and dental care plans. A one-percentage change in assumed health and dental care cost trend rates would have the following impact on the employee future benefits and the related costs for 2011 and 2010:

**2011**

| | Valuation Assumptions | 1% change Increase | 1% change Decrease |
|---|---|---|---|
| Total of service and interest cost at 5.75% per annum: | $ 545 | $ 159 | $ (117) |
| Accrued benefit obligation as at December 31, 2011 at 4.75% per annum: | $ 3,728 | $ 1,035 | $ (762) |

**2010**

| | Valuation Assumptions | 1% change Increase | 1% change Decrease |
|---|---|---|---|
| Total of service and interest cost at 6.5% per annum: | $ 446 | $ 126 | $ (93) |
| Accrued benefit obligation as at December 31, 2010 at 5.75% per annum: | $ 3,859 | $ 903 | $ (697) |

**($CAD thousands)**

### 14. WARRANTY LIABILITIES

The determination of the Corporation's warranty liabilities is dependent on the Corporation's claims handling practices, on actuarial assessments, on the judgment of its management, on historical precedents and trends, on prevailing legal, economic, social and regulatory environments and on expectations of future developments. Periodic reviews are performed by management and reviewed by our appointed actuary to assess whether warranty claims liabilities recorded for homes and condominiums, and deferred home enrolment fees are adequate relative to future claims and related administration costs to administer claims.

The following table summarizes the components of the warranty claims liabilities as at December 31:

| | 2011 | 2010 |
|---|---|---|
| Change in provisions, net of reversals | $ 356 | $ (13,866) |
| Recoveries | 654 | (4,406) |
| Net claims incurred for the year | $ 1,010 | $ (18,272) |

| | 2011 | 2010 | January 1, 2010 |
|---|---|---|---|
| Deferred home enrolment fees, beginning of year | $ 117,805 | $ 99,955 | $ 95,253 |
| Fees received | 54,397 | 47,542 | 33,885 |
| Fees earned | (31,822) | (29,692) | (29,183) |
| Deferred home enrolment fees, end of year | 140,380 | 117,805 | 99,955 |
| Warranty claims liabilities, beginning of the year | 32,811 | 64,296 | 73,675 |
| Change in claims outstanding | (683) | (4,701) | 14,294 |
| Changes due to assumptions (such as. risk, inflation & discount rate) | 1,039 | (9,165) | (2,678) |
| Claims paid | (8,423) | (17,619) | (20,995) |
| Warranty claims liabilities, end of year | 24,744 | 32,811 | 64,296 |
| Warranty liabilities, end of year | $ 165,124 | $ 150,616 | $ 164,251 |

*Warranty coverage and policy*

The warranty coverage begins when the home is enrolled, providing deposit protection and compensation for delayed closing and occupancy. Once the new owner takes possession of the home, there are three periods of warranties: one-year, two-year and seven-year warranty, each with different indemnity scopes and limits of settlement covering defects that are prescribed under the Act.

## 14. WARRANTY LIABILITIES (continued)

*Significant warranty claims liability risk and assumptions*

The market in which the Corporation participates is unique. The Corporation is the sole provider for warranty coverage on new homes in the province of Ontario. The Corporation was designated in 1976 by the Government of Ontario to administer the Act. The primary objectives of the Act include consumer protection, builder regulation and homeowner and builder education. An overview of the Corporation's risk management framework and assumptions with regards to the warranty liabilities are summarized below.

Insurance risk
As the administrator of the Act, the Corporation is exposed to insurance risk similar to a normal property and casualty insurance company. The insurance risk is the risk of loss arising from defects of new homes if the builders have failed to perform their first and second year warranty obligations to the new homeowners, or the homes have warrantable major structural defects during the three to seven years of the warranty. The Corporation is primarily concerned with the possibility of the warrantable event occurring and the uncertainty of the amount of the resulting claim.

Insurance risks are managed through the Corporation's builder regulation and licensing strategy. Annual licensing assessments are performed on new and existing registered builders to verify that they have the technical experience, customer service capabilities and financial capacity required to build new homes in compliance to the terms and conditions of the Act.

The Corporation also maintains a proactive claims management program to ensure the adequacy of the warranty liabilities and claims:

- Collection of home enrolment fees from builders prior to construction of each home to help discharge the related liabilities;
- Obtains securities in the form of cash, letters of credit and other guarantees from the builders during the registration and renewal process to reduce risk of financial loss related to the claims;
- Experienced claims service representatives work closely with homeowners and builders to assess the adequacy of the claims in accordance to the Act;
- Processes exist to ensure that all claims are captured, reviewed and updated on a timely basis with a realistic assessment of the ultimate settlement costs;
- Engage qualified actuaries annually to review and assess the adequacy of the warranty liability and the provisioning process; and.
- The appointed actuary determines assumptions used to measure warranty liabilities in accordance with the process recommended by the Canadian Institute of Actuaries. Management reviews the assumptions recommended by the actuary.

The establishment of warranty liabilities is based on established actuarial practice, management judgment and experience. Actual settlements may also differ significantly from the estimates of these liabilities due to the measurement uncertainty involved in establishing assumptions for such variables as future rates of claim frequency, severity, inflation, the ability of builders to fulfill their obligations to home buyers, recoveries from builders and administrative costs. The Corporation is exposed to claims provisioning risks in the process of administering the Act:

## 14. WARRANTY LIABILITIES (continued)

- Future claims adjustment cost
  This assumption reflects the costs generally related to claims administration including claims staff salaries, a related share of facilities overhead and rent that are not allocated to individual claim files. An actuarially estimated cost percentage of the future claim cost is applied to the outstanding claims at the end of the reporting period. This assumption is reviewed annually by the Corporation's actuary

- Incurred but not reported claims
  Actual claim settlements may differ from estimated claim settlements. These claims are estimated based on historical patterns of fluctuations in claim estimates and settlements. In general, the longer the period of time between the incidence of loss and the settlement of the related claim, the greater the potential for actual settlement amounts to differ from the recorded estimates. The impact of changes in incurred but not reported claims is set out in the sensitivity analysis on page 44.

- Adverse deviation
  The liability has inherent measurement uncertainty that arises because:
  (i) actual investment returns may differ from the discount rate used in actuarial calculations; and
  (ii) actual claims settlements may occur for amounts or at times that differ from estimates (claim risk) – this risk of loss can occur due to actual experience differing from the experience assumed. The developments of assumptions for future claims are based on the Corporation's experience and known cases or potential issues. Such assumptions require a significant amount of professional judgment; therefore, actual experience may be materially different than the assumptions made by the Corporation. Home builder payment patterns, renewals, withdrawals and surrender activities, can be influenced by many factors including market and general economic conditions. Their behavior also has an impact on assessing future claims. The impact of changes in adverse deviation is set out in the sensitivity analysis on page 44.

Recovery risk
In the normal course of managing the warranty program, the Corporation reduces exposure to claims by seeking recovery from builders for certain warranty related issues. The ability to seek recovery does not discharge the Corporation's responsibility to manage warranty issues. Failure by a builder to uphold its obligation could result in legal action by the Corporation. Consequently, allowances are established for amounts deemed uncollectible. This risk is managed by obtaining security from the builders at time of registration or renewal, as disclosed in Note 15, and the Corporation's proactive collection process. The impact of changes in recovery risk is set out in Note 11.

Credit risk
The Corporation assesses the builders' risk profile including financial health during the registration and renewal processes. Based on the assessment, a builder may be licensed and as disclosed in Note 15, security is obtained in the form of cash, letters of credit, and other guarantees from the builder in order to reduce the risk of financial loss related to future warranty claims from homeowners.

**($CAD thousands)**

### 14. WARRANTY LIABILITIES (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with warranty liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, cash security releases and operating expenses. Liquidity risk is considered low as the majority of its investment portfolio are traded in a highly liquid market and can be readily converted to cash. The Corporation also has a $3,000 line of credit that it can draw on and current cash equivalents of $2,527 (December 31, 2010 - $2,163, January 1, 2010 - $2,851).

Concentration of insurance risk

The Corporation's exposure to concentration of insurance risk is mitigated by the establishment of a diversified portfolio of competent builders through the Corporation's strong regulating and licensing strategy. Builders' registration and renewals are assessed annually. The table below shows the warranty claim liabilities by claim types:

| | 2011 | 2010 | January 1, 2010 |
|---|---|---|---|
| Freehold | $ 3,187 | $ 4,753 | $ 12,880 |
| Condominiums | | | |
| High-rise | 5,146 | 11,715 | 16,863 |
| Low-rise | 357 | 144 | 722 |
| Non-case specific | 2,259 | 3,443 | 11,909 |
| Total claims | $ 10,949 | $ 20,055 | $ 42,375 |
| Impact of changes in assumptions | 13,795 | 12,756 | 21,921 |
| Total warranty provision | $ 24,744 | $ 32,811 | $ 64,296 |

Market risk

Market risk is the risk that the fair value or future cash flows of the warranty liabilities will fluctuate because of changes in market prices. This risk is comprised of:

- Interest rate risk

  Interest rate risk is the risk that the value of future cash-flows of a financial instrument will fluctuate because of changes in market interest rates. Warranty claims liabilities are discounted to reflect the time value of money over the periods between the statements of financial position date and settlement date based on accepted actuarial practice. The discount rate used is based on market yield of the fixed income portfolio supporting the warranty liabilities. The impact of changes in interest rate is set out in the sensitivity analysis on page 44.

- Inflation rate

  The cost to resolve claims are subject to inflationary pressure. The Corporation used the Construction Price Index as the basis of inflationary index, adjusted by expected economic and housing industry implications based on management's past experiences and expertise. The impact of changes in inflation rate is set out in the sensitivity analysis on page 44.

**($CAD thousands)**

## 14. WARRANTY LIABILITIES (continued)

*Sensitivity analysis on warranty claims*

The following table illustrates the assumptions used in developing the adequate warranty claim liability required for the statements of financial position:

| | | 2011 | | 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Discount rate | | **2.0%** | | 3.0% | | 3.1% |
| Inflation rate | | **2.5%** | | 2.5% | | 1.9% |
| Future claims adjustment costs | | **26.0%** | | 24.0% | | 27.0% |
| Incurred but not reported claims | **$** | **6,762** | $ | 3,700 | $ | 3,700 |
| Adverse deviation | **$** | **2,686** | $ | 3,961 | $ | 7,643 |
| Discount | **$** | **(257)** | $ | (606) | $ | (1,863) |

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact to warranty claim liabilities, statement of comprehensive results of operations and equity.

| | Change in Assumption | Impact on warranty liability Increase | Impact on warranty liability Decrease | Impact on comprehensive results of operations Increase | Impact on comprehensive results of operations Decrease | Impact on equity Increase | Impact on equity Decrease |
|---|---|---|---|---|---|---|---|
| Discount rate | 1 0% | $ (493) | $ 510 | $ 493 | $ (510) | $ 493 | $ (510) |
| Inflation rate | 1 0% | $ 297 | $ (292) | $ (297) | $ 292 | $ (297) | $ 292 |
| Future claims adjustment costs | 1 0% | $ 197 | $ (197) | $ (197) | $ 197 | $ (197) | $ 197 |

Maturity Profile

The table below summarizes the maturity profile of the warranty claim liabilities. The maturity profiles are determined based on estimated timing of net cash outflows from the recognized warranty liabilities.

| Warranty Liability | Due within one year | Due two through five years | Total |
|---|---|---|---|
| January 1, 2010 | $ 32,560 | $ 31,736 | $ 64,296 |
| 2010 | $ 15,381 | $ 17,430 | $ 32,811 |
| 2011 | $ 12,837 | $ 11,907 | $ 24,744 |

## 14. WARRANTY LIABILITIES (continued)

*Sensitivity analysis on deferred home enrolment fees*

As home enrolment fees are collected, they are deferred and taken in to revenue over the period of the warranty that the fees cover. The rate at which these fees are recognized in revenue is based on the pattern of incurrence of claim costs over the warranty period, or 'earning pattern'. Shifts in claims patterns affect the earning pattern. The analysis below is performed for reasonably possible movements in the earning pattern with all other assumptions held constant, showing the impact to warranty liabilities, statement of comprehensive results of operations and equity.

| | Change in Assumption | Impact on warranty liability | | Impact on comprehensive results of operations | | Impact on equity | |
|---|---|---|---|---|---|---|---|
| | | Accelerated | Decelerated | Accelerated | Decelerated | Accelerated | Decelerated |
| Earning Pattern | 2.5% | $ (7,139) | $ 7,023 | $ 7,139 | $ (7,023) | $ 7,139 | $ (7,023) |

**($CAD thousands)**

## 14. WARRANTY LIABILITIES (continued)

*Claim history*

Claims are classified, managed, analyzed and reserved for based on specific known cases and potential cases and the liability is adjusted for adverse deviation.

The following table illustrates the past experience related to the claims the Corporation has settled:

| Estimate of cumulative claims | All Prior Years Claims with Outstanding liability | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|---|---|---|---|---|---|---|---|
| All Prior Years' Claims with outstanding liability | 82,546 | | | | | | |
| At end of occurrence year | | 14,670 | 29,552 | 26,646 | 16.063 | 6,425 | |
| One Year Later | | 16,712 | 22,426 | 20,848 | 12,539 | | |
| Two Years Later | | 15,832 | 21,126 | 19,255 | | | |
| Three Years Later | | 12,360 | 20,448 | | | | |
| Four Years Later | | 12,053 | | | | | |
| CURRENT ESTIMATE OF CUMULATIVE CLAIMS | 82,546 | 12,053 | 20,448 | 19,255 | 12,539 | 6,425 | 153,266 |
| **Claims Paid** | | | | | | | |
| All Prior Years' Claims with outstanding liability | 80,328 | | | | | | |
| At end of occurrence year | | 5,521 | 7,833 | 9,989 | 5,721 | 3,628 | |
| One Year Later | | 4,083 | 7,944 | 6,831 | 3,513 | | |
| Two Years Later | | 1,640 | 3,862 | 621 | | | |
| Three Years Later | | 572 | 194 | | | | |
| Four Years Later | | 36 | | | | | |
| CUMULATIVE CLAIMS PAID | 80,328 | 11,853 | 19.833 | 17,441 | 9,234 | 3,628 | 142,317 |
| Reconciliation to the Statements of Financial Position | | | | | | | |
| Current provision before discounting | 2,218 | 200 | 614 | 1,814 | 3,305 | 2,797 | 10,948 |
| Actuarial reserves | | | | | | | 14,053 |
| Discounting | | | | | | | (257) |
| **Present value recognized on the statements of financial position** | | | | | | | 24,744 |

## 15. FUNDS HELD AS SECURITY

The Corporation receives security in the form of cash, letters of credit and other guarantees, from builders in order to reduce the risk of financial loss related to future warranty claims from homeowners. The funds held as security do not have any fixed contractual maturities and are to be returned to the builders or released only upon satisfactory completion of certain requirements, such as there being no or minimal deposit or financial loss risk and the completion of outstanding warranty obligations under the Act, the timing of completion of which cannot be reasonably estimated.

Security received in cash is invested as part of the Corporation's investment portfolio. As at December 31, 2011, December 31, 2010 and January 1, 2010, the funds held as security of $40,901, $39,950 and $38,876, respectively, presented on the statements of financial position as a liability are the potentially refundable security deposits received in cash, including cumulative accrued interest thereon to December 31, 2011 of $1,238 (December 31, 2010 - $1,318, January 1, 2010 - $1,917). Letters of credit and other guarantees are available to be drawn upon to settle known claims. Such drawn amounts would reduce the amounts recoverable from builders in the statements of financial position.

During the year, the Corporation incurred interest of $394 (2010 - $163) on cash security deposits. Interest is calculated based on Prime less 2%, adjusted every sixth month (generally April and October).

## 16. CAPITAL MANAGEMENT

The Corporation's capital consists of the surplus. Although there is no external regulatory requirements imposed on the Corporation's capital, management has adopted a capital management framework modeled after the framework used in the property and casualty insurance industry in Canada and modified to reflect the Corporation's circumstances including its inability to raise capital in traditional ways. This framework incorporates the business requirements for sufficient capital throughout the variations of the new home building cycle, including possible losses from a future catastrophic event. It also reflects the relatively high risk profile of the Corporation's warranty operations, including the high level of measurement uncertainty inherent in its warranty liabilities due to the long warranty period of up to seven years and to other factors explained in Note 14. The Corporation is not subject to any externally imposed capital requirements under the Act or otherwise.

In applying the framework, the total equity of the Corporation as at December 31, 2011 and 2010 has been determined by management to be sufficient to cover possible losses from a future catastrophic event as further supported by the annual dynamic capital adequacy testing performed by the Corporation's appointed actuary during the year.

($CAD thousands)

## 17. PROVISIONS, CONTINGENCIES, COMMITMENTS AND GUARANTEES

In the normal course of business, the Corporation is a party to a number of lawsuits as the administrator of the Act.

To the extent that lawsuits relate to disputes of warranty coverage, provisions for loss are included in the warranty liabilities on the statements of financial position. Other lawsuits are at various stages of legal proceedings, the outcome of which are currently not determinable and are not expected to have a significant impact on the Corporation's financial position. Accordingly, no provision for any liability has been made in these financial statements as at December 31, 2011, December 31, 2010 and January 1, 2010.

In the normal course of operations, the Corporation executes agreements that provide for indemnification to third parties in transactions such as service agreements, leases and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement. In addition, the Corporation has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Corporation's by-laws.

These indemnification provisions will vary based on the nature and terms of the agreements. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made significant payments under such indemnification agreements. Accordingly, no amounts have been accrued related to these agreements as at December 31, 2011, December 31, 2010 and January 1, 2010.

*Operating lease commitments*

The Corporation has entered into commercial leases on premises and other miscellaneous equipment which are recognized and reported as part of general and administrative costs in the statements of comprehensive results of operations. For 2011, the Corporation recognized minimum lease payments of $679 (December 31, 2010 - $716, January 1, 2010 - $697) in the statements of comprehensive results of operations. These leases have an average life of between three years with renewal option included in the miscellaneous equipment contracts. There are no restrictions placed upon the Corporation by entering into these leases. The future minimum annual lease payments under operating lease for the next five years and thereafter as follows:

| Operating lease | 2011 Minimum lease payments | 2010 Minimum lease payments |
|---|---|---|
| Within one year | $ 754 | $ 753 |
| Between one and five years | 3,078 | 3,031 |
| More than five years | 3,572 | 4,353 |
| Present value of minimum lease payments | 7,404 | 8,137 |

**($CAD thousands)**

## 17. PROVISIONS, CONTINGENCIES, COMMITMENTS AND GUARANTEES (continued)

*Finance lease obligations*

The Corporation has leased computers and other office equipment that qualifies as a finance lease. The balance of the finance lease obligations arising from the acquisition of certain computer and office equipment are reported separately on the statements of financial position. The total value of these obligations as at December 31, 2011 is $1,446 (December 31, 2010 - $834, January 1, 2010 - $991). Interest expense of $102 was incurred during 2011 (2010 - $108) on the leases and is reported in the statements of comprehensive results of operations. These leases have renewal options for either single or multi-years. They may contain purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments and the present value of the net minimum lease payments under the finance leases are as follows:

| | 2011 | | 2010 | | January 1, 2010 | |
|---|---|---|---|---|---|---|
| | Minimum lease payments | Present value minimum payments | Minimum lease payments | Present value minimum payments | Minimum lease payments | Present value minimum payments |
| Within one year | $ 683 | $ 604 | $ 435 | $ 375 | $ 514 | $ 431 |
| Between one and five years | 901 | 842 | 492 | 459 | 593 | 560 |
| More than five years | - | - | - | - | - | - |
| | 1,584 | 1,446 | 927 | 834 | 1,107 | 991 |
| Less amounts representing finance charges | 138 | - | 93 | - | 116 | - |
| Present value of minimum lease payments | $ 1,446 | $ 1,446 | $ 834 | $ 834 | $ 991 | $ 991 |

*Lease inducements*

The Corporation received various forms of lease inducements for its current Corporate offices including reduced rent and leasehold improvements. These lease inducements are amortized over the term of the lease agreements and offset against rent expenses on the statements of comprehensive results of operations. The amortized benefits in December 31, 2011 were $181 (December 31, 2010 - $38).

As of December 31, 2011, the total unamortized lease inducements reported on the statements of financial position is $1,383, (December 31, 2010 - $221, January 1, 2010 - $260).

**($CAD thousands)**

## 18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | 2011 | | 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Trade and supplier accruals | $ | **1,917** | $ | 1,586 | $ | 3,987 |
| Amounts due to vendors and builders | | **1,547** | | 1,466 | | 1,383 |
| Employee bonus | | **2,949** | | 3,197 | | 2,402 |
| Deferred revenue | | **106** | | 144 | | 206 |
| Other liabilities | | **1,121** | | 694 | | 699 |
| Total accounts payable and accrued liabilities | $ | **7,640** | $ | 7,087 | $ | 8,677 |
| | | | | | | |
| Expected to be settled within one year | $ | **6,093** | $ | 5,621 | $ | 7,294 |
| Expected to be settled in more than one year | | **1,547** | | 1,466 | | 1,383 |
| Total accounts payable and accrued liabilities | $ | **7,640** | $ | 7,087 | $ | 8,677 |

## 19. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation provides a broad range of services to home owners and builders based on its mandate to administer the Act. Accordingly, the Corporation may enter into transactions with builders related with the Corporation's Board of Directors through a relationship of principal, director, officer and/or guarantor.

As at December 31, 2011, there are no collection and litigation account receivables and cash securities recognized due from related parties. Letters of credit and other guarantees lodged by related parties are recognized in the financial statements only to the extent they are expected to be drawn upon to settle known claims. Transactions between related parties are made at normal market prices.

Effective April 7, 2009, the Corporation pays an oversight fee to the Government of Ontario for each calendar year. The fee is calculated based on the estimated number of enrolments by home purchasers in the Act during the fiscal year of the Government of Ontario (April 1 to March 31) at five dollars per enrolment. The Corporation is required to pay an amount not less than $200 and not more than $300 per annum. In 2011, the Corporation incurred a fee of $254 (December 31, 2010 - $316, January 1, 2010 - $200).

*Compensation for key personnel*

Key management of the Corporation are members of the board of directors, as well as members of the Corporate leadership team. Key management personnel remuneration includes the following expenses:

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Short-term employee benefits | $ | **4,094** | $ | 4,438 |
| Board of director fees | | **407** | | 357 |
| Post-employment benefits | | **358** | | 359 |
| | $ | **4,859** | $ | 5,154 |