



45th ANNUAL MEETING

March 25, 2021

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.
Unit 340 - 530 KENASTON BOULEVARD, WINNIPEG, MANITOBA R3N 1Z4
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New Home Warranty Program of Manitoba Inc.

Unit 340 – 530 Kenaston Boulevard, Winnipeg, Manitoba R3N 1Z4

**Minutes of the 44th Annual General Meeting of the New Home Warranty Program of Manitoba Inc.
held on July 23, 2020, via Zoom Videoconference**

The following documents were mailed out to each person in attendance:

- Annual Report containing the December 31, 2019 year-end audited Financial Statements
- Agenda for the 44th Annual General Meeting
- Minutes of the 43rd Annual General Meeting

The following registered Builders were represented:

- Hilton Homes Ltd.
- S. Maric Construction Ltd.
- Springwood Homes Inc.
- Stefan Home Builders Ltd.
- Warkentin Homes Ltd.
- Three Way Builders Ltd.

A total of 41 duly constituted proxies pertaining to the business of the meeting were received and delivered by the Auditor.

Chairman Spencer Curtis called the meeting to order at 4:15 p.m.

S. Curtis explained that a quorum has been reached despite the low attendance. He advised that the by-laws indicate that a quorum is 25% of members in good standing, inclusive of proxies and that there are 151 members in good standing. Of the proxies received 36 are from members who are in good standing. As such, for today's meeting we require a quorum of 37. The proxies combined with those in attendance constitute a quorum. He further advised that one of the proxies has appointed Lori Crandell, so she may carry a vote for that member

S. Curtis advised that the meeting is being recorded and that if this is not acceptable to anyone, to please speak now. There was no response from anyone.

S. Curtis introduced the 2020 Board of Directors:

- Spencer Curtis (CHAIRMAN) – Hilton Homes Ltd.
- Gary Bernard – (SECRETARY-TREASURER) – Representative of the Canadian Banker's Association
- Frank Spezzano – A & S Construction Ltd.
- Melanie Snow – Warkentin Homes Ltd.
- Randy Douglas – Stefan Home Builders Ltd.
- Dorothy Anscorb – Representative of the Consumers Association of Canada/Manitoba
- Anthony Reimer – Representative of the Insurance Brokers of Manitoba
- Colin Gibbs – Representative of the Association of Professional Engineers
- Peter Halamandaris – Representative of the Law Association of Manitoba



Results of the 2020 Nominations for the Winnipeg Electoral District

S. Curtis advised that there were no nominations so the Winnipeg Electoral District board seat is currently unoccupied and the board will be reviewing candidates to fill this position at its next board meeting.

Minutes of Previous Annual Meeting

S. Curtis asked for a motion regarding the minutes of the previous annual meeting.

Motion that the minutes of the 43rd Annual Meeting held on March 21, 2019 be adopted and approved.

Moved (1st) Nic Thiessen **2nd** Randy Douglas . . . *unanimous*

Financial Statements – December 31, 2019

G. Bernard reported on the Financial Statements and asked if there were any questions. There were none.

S. Curtis asked for a motion regarding the financial statements.

Motion that the financial statements for the fiscal period ended December 31, 2019 together with the auditor's report thereon be approved and adopted.

Moved (1st) Melanie Snow **2nd** Erwin Plett . . . *unanimous*

Appointment of Auditors

S. Curtis asked for a motion regarding the appointment of auditors.

Motion that BDO Canada LLP be appointed as auditors of the Program and hold office until the next Annual General Meeting of the Members at the remuneration to be fixed by the Directors.

Moved (1st) Erwin Plett **2nd** Nic Thiessen . . . *unanimous*

Ratification of the Board of Directors Actions for the Year 2019

S. Curtis asked for a motion regarding the Ratification of the Board of Directors Actions for the Year 2019.

Motion for the ratification of the Board of Directors' Actions for the year 2018

Moved (1st) Melanie Snow **2nd** Martin Maric . . . *unanimous*



CEO and Chairman's reports

S. Curtis advised that the next two agenda items are the CEO's report and Chairman's Report. He indicated that these can be found in the Annual Meeting Report but will not be presented fully today. Instead, he asked L. Crandell to give a brief summary of her report. He then provided a brief summary of his report.

Presentation of Membership Awards

S. Curtis advised that several builder members are receiving service awards which will be mailed out following the meeting. The following Builder members were recognized:

10 Year plaques

- Fairview Custom Homes Ltd.
- Springs of Life Construction Inc.
- Provider Homes
- Westman Premier Homes Ltd.
- Waterer Carpentry Ltd.
- La Broquerie Lumber (2006)
- Countryside Homes
- Trademarks Properties Inc.
- Westar Homes Ltd.
- Do-it-All Builders
- John Penner Builders Inc.
- Titanium Custom Homes and Renovations

15 Year plaques

- Steendam Builders Ltd.
- Glenberg Homes & Design Ltd.
- Cornerstone Construction Ltd.
- LCD Homes

20 Year plaques

- Pine Creek Homes Inc.
- Parkhill Homes

40 Year plaques

- Irwin Homes Ltd.

Other Business

S. Curtis asked if there was any other business or further questions. There were none. He then advised that this was the end of the meeting and thanked everyone for attending.

Adjournment

S. Curtis asked for a motion to adjourn the meeting.

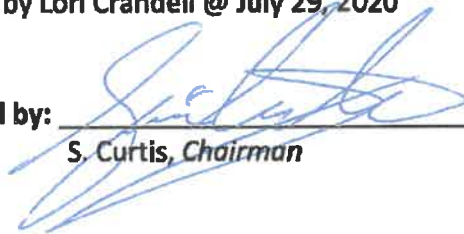
Motion to adjourn the meeting

Moved (1st) Erwin Plett 2nd Nic Thiessen . . . unanimous

Meeting adjourned at 4:35 p.m.

Minutes prepared by Lori Crandell @ July 29, 2020

Minutes approved by: _____



S. Curtis, Chairman

Date: _____

6 Aug 2020

Vision and Mission

Vision Statement

The New Home Warranty Program of Manitoba Inc. is the leading provider of warranty services for the New Home Building Industry.

We are dedicated to providing a service that will enhance the new home building industry and ensure that consumers are satisfied with the results.

Mission Statement

The New Home Warranty Program of Manitoba Inc. will provide warranty protection for new home buyers and support the building industry in its goal to achieve excellence in building standards.

The Board, Committee Members, and Staff

Board of Directors

Spencer Curtis - CHAIRMAN
Hilton Homes Ltd.

Gary Bernard - SECRETARY-TREASURER
Canadian Bankers Association

Frank Spezzano - VICE-CHAIRMAN
A & S Construction Ltd.

Melanie Snow
Warkentin Homes Ltd.

Randy Douglas
Stefan Home Builders Ltd.

Erwin Plett
Springwood Homes Inc.

Colin Gibbs
Association of Professional Engineers

Dorothy Anscomb
Consumers' Association of Canada/Manitoba

Anthony Reimer
Insurance Industry of Manitoba

Peter Halamandaris
Law Association of Manitoba

Technical Committee

Randy Douglas
Builder Member

Peri Maric
Builder Member

Ron Chausse
Builder Member

Colin Gibbs
Engineer

Registration Committee

Gary Bernard
Canadian Bankers Association

Kristen Willis
BDO Canada LLP

Peter Halamandaris
Marr Finlayson Pollock LLP

Public Relations Committee

Dorothy Anscorb
Consumers' Association of Canada/Manitoba

Melanie Snow
Builder Member

Spencer Curtis
Builder Member

Human Resources Review Committee

Dorothy Anscorb
Consumers' Association of Canada/Manitoba

Spencer Curtis
Builder Member

Peter Halamandaris
Director

Staff

Lori Crandell – CHIEF EXECUTIVE OFFICER

Jay Kent – WARRANTY MANAGER/INSPECTOR

Tabatha Funk – ADMINISTRATIVE ASSISTANT

Chief Executive Officer's Report

Mrs. Lori Crandell
Chief Executive Officer

Many words come to mind when thinking of how to describe 2020. Most of you will have some of your own choice descriptors as well. How does one talk about and reflect on a pandemic that changed the landscape of our economy, our social well-being, mental health, and productivity – affecting people worldwide? Well, let's just say that 2020 was challenging, unforgettable, and humbling.

Of course, the crisis is not quite over. As we move forward with the hopes of a speedy vaccination rollout that will bring the pandemic under control, we begin thinking about rebuilding our economy, getting reconnected with friends and family, and bringing back some normalcy to our daily activities. Many of us will have learned new ways of doing business and perhaps reconnected with long forgotten activities such as reading a book or going for walks. Change is always difficult, but it always opens new gateways – shedding light on old ideas and pointing us toward innovation.

The biggest surprise for me, was how well in general the construction industry fared. Let me clarify, though, that this is a generality. Over the year, I've had the opportunity to speak with many builder members. I've heard great success stories, but also tales of hardship. So, for those who have not weathered this storm well, we hope that 2021 brings the opportunity for rebuilding and prosperity.

The Program did prepare for lowered enrollments and higher warranty claims. We also fully expected a slight drop in membership, due to closure of businesses. The enrollments were a bit lower, but only by 9% over 2019. When crunching the data, I found no overall correlation with the size, type of builds, or location of the builder in relation to decreases in enrollments. Instead, I found almost an equal number of builders who have increased their overall builds over a 5-year average and did better than 2019 in comparison with those who had decreases. What we see is a mesh of positive and negative effects. We do know that the pandemic caused a slowdown in construction, an increase in product costs, a decrease in immigration, and overall logistic and administrative challenges.

Chief Executive Officer's Report

Mrs. Lori Crandell
Chief Executive Officer

On the flip side, there was a decrease in the interest rate, abolishment of the Winnipeg impact fee, and homeowners scrutinizing their living space with many looking at potentially permanent work-from-home scenarios. Along with this was some niche market opportunities. I heard from several builders who were being asked to build generational homes or homes with a secondary suite due to the negativity sponsored by high COVID case numbers in long-term care homes. This blended affect has kept the new home construction industry strong and is echoed in all the provinces across Canada. What's quite interesting, is that the first quarter of 2021 shows a 65% increase in enrollments over the same time last year. We are seeing that these positive variables are now outweighing the negative, particularly as businesses have now adjusted to pandemic regulations. Market reports are positive, and it looks like the new home construction industry is moving forward with a cautious bounce in its step.

Membership is another area that faired better than our projections. We welcomed 12 new builder members which is slightly higher than average. An equal number of builders canceled their membership – but none resulting solely from the affects of the pandemic. Most of these builders were already in a slowdown or retirement phase of their business.

Warranty claims is another positive area. Considering that homeowners would be spending more time at home, ultimately leading to a higher scrutiny of their surroundings and have a lowered threshold of acceptance due to pandemic anxiety, I expected an increase in warranty claims. Instead, valid claims were at a 50% reduction based on a 5-year expected rate. At this time, we are cautiously optimistic this is due to a recent trend in reduced claims, ultimately as a result of improved service response times and overall workmanship by our members. Don't get me wrong – our phone and inbox are still plenty busy! Homeowners continue to contact us looking for advice and discussing their possible defects, in advance of submitting a claim. We are confident that the time we spend educating homeowners is helping at least in the reduction of frivolous claims.

Chief Executive Officer's Report

Mrs. Lori Crandell
Chief Executive Officer

We do, however, need to acknowledge that the decrease may be due to some homeowners who may be delaying in submitting their claim with an expectation that their coverage period is extended in light of the pandemic. To counteract this possibility, we have posted a notice on our website and have been sending correspondence to homeowners to advise them that the pandemic does not affect their coverage period and timelines to submit a warranty claim.

Last year I spoke about our journey into reviewing Program operations, the warranty, and all the policies and documents that accompany it. Part of this has been a review of our Committees. As a result, we are pleased to announce 2 new members to our Technical Committee: Peri Maric of Maric Homes and Ron Chausse of Three Way Builders. We are hoping to start a review of our Construction Standards in the summer or fall. On the immediate agenda is a website facelift and our tri-annual Actuarial Analysis. This analysis is crucial at reviewing our risk and ensuring our reserves are sufficient to match that risk.

2020 has certainly given me some pause for thought and a chance at learning new things. As I said earlier, change equals innovation. We, just like millions of others, have incorporated videoconferencing into our daily lives - something that can undoubtedly increase productivity and connectivity. In particular, our Warranty Manager has incorporated Google Duo, Facetime, and other video chat platforms into his home inspection arsenal, with great results. I'm currently pondering ways we can use this tool to reach out to our membership more often and share information and get feedback on warranty issues, new products and construction techniques, etc. Also, our experience working remotely has sponsored a review of productivity software, data security, e-signing tools, and electronic payment options. It's a lot to take in, but I'm looking forward to sorting through all these new business development tools so we can find innovative and productive ways to serve our membership and support our industry in its goal to achieve excellence.

Chief Executive Officer's Report

Mrs. Lori Crandell
Chief Executive Officer

In closing, I would like to remind builder members that I am always just a phone call away. I promise to always take the time to listen to suggestions, concerns, or be a sounding board for whatever you have on your mind. I am deeply interested in your business and look forward to speaking with you.

A big thank you for your hard work through these unprecedented times, staying dedicated to serving homeowners in a safe and productive way. Thank you also to my staff, committee members, and board of directors for your continued support and the valuable time that you put into serving the Program. I wish everyone well for a productive year ahead.

Thank you,

Lori Crandell
Chief Executive Officer

Chairman's Report

Mr. Spencer Curtis
Chairman

Looking back on the speech I wrote for our last virtual AGM some things have changed while some remain the same. We're all still in hiding from the Novel Coronavirus but home sales and construction have been a very pleasant surprise, with the majority of our builder members seeing exceptional sales in 2020 and looking stronger still into 2021. I won't spend too much time saying what I am sure we've all heard a million times this year, that the pandemic has changed the way we work, live and think. In our industry we've obviously been incredibly fortunate to be in the positive position we are in. The office has adapted to keep our incredibly valuable staff safe while continuing to meet the demands of our members.

Speaking of our office staff I'd like to thank them for the great work they've done. Less than a year as Warranty Manager/Inspector, Jay Kent, has been learning the ins and outs of his new role with the Program and like the rest of us has been incorporating new technology tools into his everyday routine. Lori has been great working alongside Jay in this with the aim of always improving the service level of the Program. Tabatha continues to grow and learn and we're very happy to have her on board as a valuable team player contributing to our success. You'll hear Lori's name several more times before I am done so I'll just say for the moment it's been great working alongside Lori this year. Lori has done a tremendous job managing the world of change we've been in.

I wrote a relatively brief speech last year as with all the uncertainty around us I didn't think our members wanted more of the same. This year I will again be brief but I am very pleased to say that the Program itself is doing great, thanks in no small part to our board members and our excellent staff as mentioned.

I will, as always, thank the rest of the board of directors for their continued dedication and support of our Program. 2020 was a difficult one and at the board level with meetings being fewer than normal. As a program we were preoccupied with making sure our members received the service and support they needed while changing and adapting to the new reality. That said, the board has continued to have virtual meetings and is moving ahead with some of the business development initiatives we started on.

Chairman's Report

Mr. Spencer Curtis
Chairman

Additionally, Lori and I have had virtual meetings with the Canadian Home Warranty Council and Lori's time and expertise has been invaluable to that organization, as she took on the task of heading a special group aimed at creating a pan Canadian Construction Standards Guide. Involvement in the warranty council has been a tremendous asset to our organization and Manitoba has been very well-represented on the council. It is a great forum to learn and discuss topics which affect other providers across the country. At the program level, Lori and the board continue to work hard at making the New Home Warranty Program the best program in the country.

Taking stock of everything we learned about the home warranty business over the years as well as new things we've learned during the pandemic, the Program is poised to shine as bright as ever in 2021 and beyond. Consumer expectations continue to evolve and challenge the industry, but the Program continues to succeed because of the high quality of construction and customer service that our builder members provide. The board continues to look at new ways of handling consumer inquiries and mitigating and reducing warranty claims.

As we all mentally recover from the changes and instability of the past year, and we gear up for the challenges of a busy construction season I will conclude with the following message. I think we are all grateful for the health and safety of family and friends. I hope that is the same for each and every one of you. My sincere condolences to anyone personally affected during the pandemic. I would also like to extend my sincere condolences to the family and friends of Derek Thorsteinson. Derek passed away from cancer on December 31st of last year. As a former chair of the New Home Warranty Program and deep involvement with the Manitoba and Canadian Home Builders Associations, I am quite certain everyone reading or listening knew who Derek was. His commitment to this Program and to the building industry in Manitoba was nothing short of tremendous. In addition to being the only one who ever had a question at the end of the presentation of the financial statements,

Chairman's Report

Mr. Spencer Curtis
Chairman

Derek was deeply involved in so many aspects of new home construction in Manitoba.

Just as Derek made his contribution to our Program, I look forward to continuing to make the Program better than ever in the coming years. Stay safe, stay well, and keep building.

Thank you,

Spencer Curtis
Chairman

**NEW HOME WARRANTY
PROGRAM OF MANITOBA INC.**

Financial Statements

For the year ended December 31, 2020

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.

Financial Statements

For the year ended December 31, 2020

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Independent Auditor's Report

To the Members of New Home Warranty Program of Manitoba Inc.

Opinion

We have audited the financial statements of New Home Warranty Program of Manitoba Inc. ("the Program"), which comprise the statement of financial position as at December 31, 2020, and the statement of changes in net assets, statement of operations, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Program as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Program in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
March 1, 2021

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.
Statement of Financial Position

As at December 31	2020	2019
Assets		
Current Assets		
Cash and bank	\$ 46,180	\$ 35,453
Receivables	2,695	3,552
Prepays	10,137	9,950
	59,012	48,955
Investments (Note 3)	4,050,991	3,902,392
Capital assets (Note 4)	9,756	13,037
	\$ 4,119,759	\$ 3,964,384
Liabilities and Net Assets		
Current Liabilities		
Payables and accrued liabilities (Note 5)	\$ 23,876	\$ 26,949
Current portion of warranty claims liabilities (Note 6)	149,900	149,900
	173,776	176,849
Long-term portion of warranty claims liabilities (Note 6)	271,100	271,100
	444,876	447,949
Contingencies and commitment (Notes 7 and 8)		
Net Assets		
Unrestricted	3,665,127	3,503,398
Invested in capital assets	9,756	13,037
	3,674,883	3,516,435
	\$ 4,119,759	\$ 3,964,384

Approved on behalf of the Board of Directors:


 _____ Director

 _____ Director

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.
Statement of Changes in Net Assets

For the year ended December 31

	2020			2019
	Unrestricted	Invested in Capital Assets	Total	Total
Net assets, beginning of year	\$ 3,503,398	\$ 13,037	\$ 3,516,435	\$ 3,323,988
Excess (deficiency) of revenue over expenses for the year	161,729	(3,281)	158,448	192,447
Net assets, end of year	\$ 3,665,127	\$ 9,756	\$ 3,674,883	\$ 3,516,435

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.
Statement of Operations

For the year ended December 31	2020	2019
Revenue		
Builder late fees	\$ 5,364	\$ 6,879
Builders' registration and renewal fees	52,250	54,575
Home enrollment fees	379,916	408,752
Interest and other	54,769	87,499
	492,299	557,705
Expenses		
Advertising and sponsorship	5,389	8,739
General operating (see Schedule)	110,154	132,959
Salaries and benefits	218,308	218,560
Warranty claim costs (Note 6)	-	5,000
	333,851	365,258
Excess of revenue over expenses for the year	\$ 158,448	\$ 192,447

NEW HOME WARRANTY PROGRAM OF MANITOBA INC. Statement of Cash Flows

For the year ended December 31	2020	2019
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	\$ 158,448	\$ 192,447
Adjustments for items not affecting cash		
Amortization of capital assets	3,281	4,462
Warranty claims liabilities	-	5,000
	161,729	201,909
Changes in non-cash working capital balances		
Receivables	857	(1,498)
Prepays	(187)	410
Payables and accrued liabilities	(3,073)	(4,926)
	159,326	195,895
Cash Flows from Investing and Financing Activities		
Net increase in investments	(148,599)	(176,484)
Net increase in cash and bank during the year	10,727	19,411
Cash and bank, beginning of year	35,453	16,042
Cash and bank, end of year	\$ 46,180	\$ 35,453

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.

Notes to Financial Statements

For the year ended December 31, 2020

1. Nature of the Organization

The Program provides protection to homebuyers who purchase a new home from a home builder who is registered with the Program. Home builders accepted for registration by the Program pay an initial registration fee and an annual renewal fee. The Program charges a home enrollment fee for each new home and provides new home warranty protection under a warranty certificate.

The Program is incorporated under The Corporations Act of the Province of Manitoba as a non-profit organization without share capital. The Program is exempt from income tax.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

b. Revenue Recognition

The Program follows the deferral method of accounting for contributions. Home enrollment fees are recognized as revenue upon notification of construction by receipt of an enrollment form and payment by the builder. Builders' registration and renewal fees are recognized annually when due. Interest and other revenue are recognized when earned.

c. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market including mutual funds are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.

Notes to Financial Statements

For the year ended December 31, 2020

2. Summary of Significant Accounting Policies (continued)

d. Capital Assets

Purchased capital assets are stated at cost less accumulated amortization based on estimated useful life of the asset, calculated as follows:

Computer equipment	30% diminishing balance basis
Office furniture and equipment	20% diminishing balance basis

e. Warranty Claims Liabilities

Warranty claims liabilities include estimates of costs for claims reported and in process, and provisions for claims incurred but not yet reported, net of recoveries from builders, at the statement of financial position date where it is anticipated that costs will be incurred by the Program. Warranty claims liabilities also include an estimate of costs to administer the warranty obligation until the expiry of all warranty obligations.

f. Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Estimates have been made by management in the following areas:

- The useful life of capital assets; and
- The assumptions used in determining warranty claims liabilities.

3. Investments

The Program's investments comprise of high interest savings.

NEW HOME WARRANTY PROGRAM OF MANITOBA INC. Notes to Financial Statements

For the year ended December 31, 2020

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 19,960	\$ 15,244	\$ 19,960	\$ 13,224
Office furniture and equipment	36,465	31,425	36,465	30,164
	\$ 56,425	\$ 46,669	\$ 56,425	\$ 43,388
Net book value		\$ 9,756		\$ 13,037

5. Government Remittances Payable

Included in accounts payable and accrued liabilities are government remittances payable of \$4,751 at December 31, 2020 (\$6,676 in 2019).

6. Warranty Claims Liabilities

The determination of the Program's warranty claims liabilities is dependent on the Program's claims handling practices, on the judgment of its management and on historical precedents and industry trends. Periodic reviews are performed by management and reviewed by our appointed actuary to assess whether warranty claims liabilities for homes enrolled, and enrolment fees are adequate relative to future claims and related administration costs to administer claims until the expiry of all warranty obligations. The most recent actuarial valuation was prepared as at June 30, 2018.

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

	2020	2019
Balance, beginning of the year	\$ 421,000	\$ 416,000
Increase in warranty claims liabilities	-	5,000
Balance, end of the year	\$ 421,000	\$ 421,000

The current and long-term portions of warranty claims liabilities are as follows as at December 31:

	2020	2019
Total warranty claims liabilities	\$ 421,000	\$ 421,000
Less current portion	149,900	149,900
Long-term portion	\$ 271,100	\$ 271,100

NEW HOME WARRANTY PROGRAM OF MANITOBA INC. Notes to Financial Statements

For the year ended December 31, 2020

6. Warranty Claims Liabilities (continued)

The warranty claim costs payments anticipated for the next five years and thereafter are as follows:

	Warranty Claim Costs (Net)	Complaints Administration	Total
2021	\$ 18,000	\$ 131,900	\$ 149,900
2022	16,200	74,200	90,400
2023	13,600	25,200	38,800
2024	11,000	11,000	22,000
2025	8,600	6,700	15,300
Thereafter	16,700	87,900	104,600
	\$ 84,100	\$ 336,900	\$ 421,000

Warranty claim costs represent the increase in warranty claims liabilities in the amount of \$nil for the year (\$5,000 in 2019).

Warranty Coverage and Policy

The warranty coverage begins at the date of possession by the new homeowners. The warranty coverage includes a limit of settlement that are prescribed under the warranty.

Significant Warranty Claims Liabilities Risk and Assumptions

The primary objectives of the Program include consumer protection, builder regulation and homeowner and builder education. An overview of the Program's risk management framework and assumptions with regards to warranty liabilities are summarized below.

Insurance Risk

The Program 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 in new homes if the builders have failed to perform their warranty obligations to the new homeowners, or the homes have warrantable major structural defects during the period of the warranty. The Program 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 Program's builder registration and renewal policy. Annual reviews 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 warranty.

NEW HOME WARRANTY PROGRAM OF MANITOBA INC. Notes to Financial Statements

For the year ended December 31, 2020

6. Warranty Claims Liabilities (continued)

Insurance Risk (continued)

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 fulfil their obligations to home buyers, recoveries from builders and administrative costs. The Program is exposed to claims provisioning risks as follows:

- Future Claims Adjustment Cost

This assumption reflects the costs generally related to administration including 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 tri-annually by the Program's actuary.

- Incurred but not yet 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.

- 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 claim settlements may occur for amounts or at times that differ from estimates - 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 Program's experience and known cases or potential issues as well as industry benchmarks. Such assumptions require a significant amount of professional judgment; therefore, actual experience may be materially different than the assumptions made by the Program. Home builder payment patterns, renewals, withdrawals and surrender activities can be influenced by many factors including market and general economic conditions. Their behaviour also has an impact on assessing future claims.

NEW HOME WARRANTY PROGRAM OF MANITOBA INC. Notes to Financial Statements

For the year ended December 31, 2020

6. Warranty Claims Liabilities (continued)

Recovery Risk

In the normal course of managing the warranty program, the Program reduces exposure to claims by seeking recovery from builders for certain warranty related issues. The ability to seek recovery does not discharge the Program's responsibility to manage warranty issues. Failure by a builder to uphold its obligation could result in legal action by the Program. Consequently, allowances are established for amounts deemed uncollectible. The risk is managed by obtaining security from the builders at the time of registration and adjusted accordingly at annual renewal. Security held by the Program, which is not presented as assets on the Program's statement of financial position, is as follows as at December 31:

	<u>2020</u>	<u>2019</u>
Letters of credit	\$ 5,137,399	\$ 5,104,492
Term deposits	1,204,648	1,189,663
	<u>\$ 6,342,047</u>	<u>\$ 6,294,155</u>

Term deposits are renewed at their maturity date and accrued interest is payable to the builder.

7. Contingencies

As at December 31, 2020, there is one legal claim filed with the Court of Queen's Bench against the Program regarding warranty claims in dispute. The outcome of the claim is indeterminable at the date of approval of these financial statements. Consequently, no provision for settlement, if any, has been recorded in these financial statements.

8. Commitment

The Program has an operating lease for its premises expiring in February 2025, with base rent of \$19,440 annually for the first two years and \$20,655 annually for the final three years.

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.

Notes to Financial Statements

For the year ended December 31, 2020

9. Financial Instruments Risk Management

The Board of Directors has overall responsibility for the determination of the Program's risk management objectives and policies. The Board of Directors receives reports on a quarterly basis from the Program's Chief Executive Officer. The reports are reviewed by the Board of Directors to assess the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Program's goals and flexibility.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Program is exposed to credit risk arising from its receivables and investments. To manage this risk, the Program monitors its members through an annual application renewal process and requires a letter of credit or other suitable form of security from each member builder for the purposes of settling liabilities. Total security held for builders' obligations is disclosed in Note 6. In addition, investments are held in savings accounts of which a portion is insured.

Liquidity Risk

Liquidity risk is the risk that the Program encounters difficulty in meeting its obligations associated with financial liabilities which consist primarily of payables and accrued liabilities, and warranty claims liabilities. In order to mitigate credit risk, management monitors cash flows and maintains a portion of the investment portfolio in liquid investments.

Interest Rate Risk

Interest rate risk is the risk that the Program's financial instruments will increase or decrease with changes in market interest rates. The Program holds variable rate investments and thus is exposed to fluctuations in interest rates that are inherent in such a market. The Program's management in conjunction with the Board of Directors make investment decisions after considering advice from professional advisors.

10. Uncertainty Due to COVID-19 Issue

On March 13, 2020, the World Health Organization declared COVID-19 a global pandemic. This has had adverse impacts in Canada and on the global economy. As this continues, there could be further impact on the Program. The Board of Directors is actively monitoring the effect on the Program's financial condition, liquidity and operations. Given the daily evolution of the pandemic and global responses to curb its spread, the Program is not able to estimate fully the effects at this time.

NEW HOME WARRANTY PROGRAM OF MANITOBA INC.
Schedule of General Operating Expenses

For the year ended December 31	2020	2019
Amortization	\$ 3,281	\$ 4,462
Annual and general meetings	-	3,500
Bad debt	890	-
Builders' membership certificates	1,329	1,674
Committees and Board of Directors	988	2,262
Dinner meetings	141	506
Inspection fees	-	1,900
Insurance	7,362	8,051
Membership dues and subscriptions	875	875
Office	7,443	5,855
Other	1,983	2,296
Postage and delivery	3,144	3,437
Printing, stationery and office supplies	2,387	2,843
Professional fees	20,608	28,081
Registration Committee consulting fees	5,406	7,664
Rent	38,051	37,428
Telephone and Internet	6,267	6,035
Travel	178	6,423
Vehicle	9,821	9,667
	\$ 110,154	\$ 132,959

Membership Awards

Congratulations to the following Builder Members:

10 year Awards

Sun Valley Co-op Ltd.
Gold Key Homes Inc.
21st Century Builders Inc.
Zacks RTM's Ltd.

15 Year Awards

Timber Ridge Homes Inc.
Rite-Way Builders Ltd.
Prairie View Developments Inc.
Pro Quality Builders Ltd.

Builder Members (at December 31, 2020)

10016568 Manitoba Ltd.	Do-it-all Builders
10031333 Manitoba Inc.	Ekam Development and Construction Ltd.
21st Century Builders Inc.	Emjay Homes Ltd.
742459 Manitoba Ltd.	Evolution Home Builders Ltd.
A & B Builders Ltd.	Fab Homes Inc.
A & S Construction Ltd.	Fairview Custom Homes Ltd.
Abe's Woodwork	Francis Family Homes Ltd.
Abram's Construction Inc.	Garnet Construction Ltd.
ADR Property Holdings Corporation	Garth Knox Building Services Ltd.
Alia Custom Homes Inc.	Gino's Construction Ltd.
Arborg Home Hardware Building Centre	Glenberg Homes & Design Ltd.
Artista Homes Ltd.	Gold Key Homes Inc.
ASR Homes of Manitoba Inc.	Goodman Homes
AWA Real Estate Ltd.	Grzenda Construction Inc.
B & R Custom Homes Ltd.	H. Albers Builders Ltd.
Birch Construction Ltd.	Harv Ginter Construction
Birnie Builders	Harval Homes Ltd.
Blanchard Construction Inc.	Hearth Homes
BMD Construction Inc.	Hendren Homes Inc.
Bobsled Projects Inc.	Hillside Construction Inc.
Bosk Construction Inc.	Hilton Homes Ltd.
Broderco Development Inc.	Hirst Construction Inc.
Brownstone Estates	Holy Land Builders
C & V Custom Homes Inc.	Ican Construction & Renovations Inc.
C.B.B.S. General Contracting Ltd.	InStahl Woodwork Ltd.
C.H.B. Developments Inc.	Irwin Homes Ltd.
Capital Building Systems Ltd.	J. Lamoureux Construction Ltd.
Central Homes	J.N. Developments Ltd.
Character Homes Ltd.	Jablonski Carpentry Inc.
CL van Veen Construction Ltd.	JMD Custom Homes
Classic Design Builders Ltd.	John Penner Builders Inc.
Commercial Restoration Services	Jordan Gmitrek Construction Ltd.
ConCor Homes Ltd.	K. Streu Homes Ltd.
Connection Homes	K.M. Construction
Conquest Manufacturing Ltd.	KayCee Builders
Content Builders Ltd.	La Broquerie Lumber (2006)
Cornerstone Construction Ltd.	Larwyn Custom Homes Ltd.
Countryside Homes	Leo's Home Decorating Ltd.
Daniel Simpson Contracting Ltd.	Lisleford Holdings Ltd.
Dave Hildebrand Construction	Livingston Construction Ltd.
Deneschuk Homes Ltd.	Lopes Construction Ltd.

Builder Members (at December 31, 2020)

Lux Custom Homes Ltd.	Schulz Construction Inc
Maric Homes	Scott Builders (Carberry) Ltd.
Mark's RTM's Inc.	Sexsmith Construction Ltd.
MBP Homes Ltd.	Shymko Homes Ltd.
McMunn & Yates Building Supplies Ltd.	Sigman Construction Ltd.
Meadowland Homes Ltd.	Silverton Homes Ltd.
Mellco Developments Ltd.	Somerville Design Homes Ltd.
MET Custom Homes Inc.	Southwynn Homes Ltd.
Mickey Friesen	Splendid Homes Corp.
Minish Construction Ltd.	Springs of Life Construction Inc.
Moonlight Construction Ltd.	Springwood Homes Inc.
Mullin Construction Ltd.	Steendam Builders Ltd.
NDC Construction Ltd.	Stefan Home Builders Ltd.
Neepawa Home Hardware Building Centre	Struth Construction Ltd.
New Ventures Investments Inc.	Summerview Homes Ltd.
Newton Enterprises (1983)	Sun Valley Co-op Ltd.
NKM Homes	Sunrex Homes Inc.
Novva Builders Inc.	Sveinson Construction
Oakley Construction Ltd.	Sytko Homes Inc.
OB Construction (2010) Ltd.	Taylor Ridge Homes Ltd.
Pageantry Homes	Three Way Builders Ltd.
Paragon Design + Build	Thuraisingham Satgunam
Parkhill Homes	Timber Ridge Homes Inc.
Pembina Consumers Co-op (2000) Ltd.	Titanium Custom Homes & Renovations
Phillips Landel Custom Homes Ltd.	Trademarks Properties Inc.
Pic-A-Dilly Construction Ltd.	Tri West Construction Inc.
Pine Creek Homes Inc.	Tricor Alliance Inc.
Pine Spring Homes Inc.	Truelove Design & Construction Ltd.
Pinnaco Inc.	Vanderveen Construction
Pioneer Ready Homes Ltd.	Venicia Homes
Prairie Sky Properties	Vertex Construction Ltd.
Prairie View Developments Inc.	Vogt Building Construction 2012 Inc.
Prego Builders Ltd.	Von Ast Construction (2014) Ltd.
Premier Custom Homes	W. Giesbrecht Homes Ltd.
Pro Quality Builders	Warkentin Homes Ltd.
Provider Homes	Waterer Carpentry Ltd.
Quatro Homes Ltd.	Westar Homes Ltd.
R & M Homes Ltd.	Westman Premier Homes Ltd.
R. Banman Construction Ltd.	Wincor Construction Inc.
Rite-Way Builders Ltd.	Wpg New Home Inc.
Rolly Grenier Construction	Zacks RTM's Ltd.
S.E.L. Housing Inc.	