

Financial Statements of

**HOUSING DEVELOPMENT CORPORATION,
LONDON**

And Independent Auditors' Report thereon

December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Housing Development Corporation, London

Opinion

We have audited the financial statements of Housing Development Corporation, London (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting 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.



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 5, 2023

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Financial Position
December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 1,740,869	\$ 6,468,212
Trade and other receivables (note 3)	3,636,448	1,863,613
Loan receivable	240,120	224,842
Total financial assets	5,617,437	8,556,667
Financial liabilities		
Accounts payable and accrued liabilities (note 3)	2,135,156	1,797,149
Deferred revenue	382	5,671
Long-term debt (note 4)	-	17,760
Total financial liabilities	2,135,538	1,820,580
Net financial assets	3,481,899	6,736,087
Non-financial assets		
Tangible capital assets (note 5)	34,365,939	21,275,451
Prepaid expenses	4,834	8,321
Total non-financial assets	34,370,773	21,283,772
Commitments (note 10)		
Other matters (note 11)		
Accumulated surplus (note 6)	\$37,852,672	\$28,019,859

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON**Statement of Operations**

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

	Budget	2022	2021
	(note 9)		
Revenues			
Transfer payments			
Municipal - the Corporation of the City of London (note 3)	\$ 13,963,521	\$ 13,953,415	\$ 18,854,525
Federal	-	13,105	203,733
Property rental income	-	370,625	-
Interest income	150,000	63,867	155,372
Total revenues	14,113,521	14,401,012	19,213,630
Expenses			
Salaries, wages and fringe benefits	82,032	82,032	622,313
Materials and supplies	74,123	237,230	44,949
Contracted services	32,014	199,235	74,613
Office rental expense	32,000	29,024	27,038
External transfers	-	3,734,232	131,060
Amortization of tangible capital assets (note 5)	286,446	286,446	44,599
Total expenses	506,615	4,568,199	944,572
Annual surplus	13,606,906	9,832,813	18,269,058
Accumulated surplus, beginning of year (note 6)	28,019,859	28,019,859	9,750,801
Accumulated surplus, end of year (note 6)	\$ 41,626,765	\$ 37,852,672	\$ 28,019,859

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON**Statement of Change in Net Financial Assets**

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

	Budget	2022	2021
Annual surplus	\$ 13,606,906	\$ 9,832,813	\$ 18,269,058
Acquisition of tangible capital assets	(13,376,933)	(13,376,934)	(18,584,136)
Amortization of tangible capital assets	286,446	286,446	44,599
	516,419	(3,257,675)	(270,479)
Change in prepaid expenses	-	3,487	(474)
Change in net financial assets	516,419	(3,254,188)	(270,953)
Net financial assets, beginning of year	6,736,087	6,736,087	7,007,040
Net financial assets, end of year	\$ 7,252,506	\$ 3,481,899	\$ 6,736,087

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON**Statement of Cash Flows**

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

	2022	2021
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 9,832,813	\$ 18,269,058
Items not involving cash		
Amortization of tangible capital assets	286,446	44,599
Change in non-cash assets and liabilities		
Due from the Corporation of the City of London	4,727,343	487,140
Prepaid expenses	3,487	(474)
Trade and other receivables	(1,772,835)	(1,693,323)
Accounts payable and accrued liabilities	338,007	1,465,950
Deferred revenue	(5,289)	(2,290)
Net change in cash from operating activities	13,409,972	18,570,660
Capital activities		
Purchase of tangible capital assets	(13,376,934)	(18,584,136)
Net change in cash from capital activities	(13,376,934)	(18,584,136)
Investing activities		
Issuance of loans receivable	(15,278)	(4,284)
Net change in cash from investing activities	(15,278)	(4,284)
Financing activities		
Long-term debt issued (repayments)	(17,760)	17,760
Net change in cash from financing activities	(17,760)	17,760
Net change in cash flows and cash, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements
Year ended December 31, 2022

1. Nature of Reporting Entity

Housing Development Corporation, London (the “Corporation”) is a municipal services corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990, c.B.16 on October 26, 2015.

The Corporation is a wholly owned subsidiary company of The Corporation of the City of London (the “City”) and is managed by a Board of Directors appointed by the City, as the sole shareholder.

2. Significant Accounting Policies

The financial statements of the Corporation are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants (CPA) of Canada Public Sector Handbook – Accounting.

Significant accounting policies are as follows:

(a) Basis of Accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Leasehold improvements	Lease term
Building	40
Equipment and furniture	5-10

Annual amortization is charged in the year of acquisition and in the year of disposal using the following rules:

- Leasehold improvements - prorated by month, based on in-service date.
- Building, equipment and furniture - half year rule.

2. Significant Accounting Policies (continued)

(b) Tangible Capital Assets (continued)

Assets under construction are not amortized until the asset is available for productive use.

(c) Government Transfers

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(e) Budget Figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(f) Liability for Contaminated Sites

Under PS 3260, liability for contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

2. Significant Accounting Policies (continued)

(g) Related Party Disclosures

Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is made when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements.

(h) Inter-entity Transactions

Transactions between related parties are recorded at carrying amounts with the exception of the following:

- Transactions in the normal course of business are recorded at exchange amount.
- Transactions with fair value consideration are recorded at exchange amount.
- Transfer of an asset or liability at nominal or no consideration is recorded by the provider at carrying amount and the recipient has the choice of either carrying amount or fair value.
- Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis.
- Unallocated costs for the provision of goods or services maybe recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

(i) Future Accounting Changes

These standards and amendments were not yet effective for the year ended December 31, 2022, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

(i) Asset Retirement Obligations

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation, and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Corporation's December 31, 2023 year-end).

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

2. Significant Accounting Policies (continued)

(i) Future Accounting Changes (continued)

(ii) Financial Statement Presentation

PS 1201, Financial Statement Presentation requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, and adopted (the Corporation's December 31, 2023 year-end).

(iii) Financial Instruments

PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the Corporation's December 31, 2023 year-end).

(iv) Revenue

PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the Corporation's December 31, 2024 year-end).

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

3. Related Party Transactions

The City maintains a separate general ledger on behalf of the Corporation. All funds are paid and received through the City's bank account and are held for use by the Corporation.

In accordance with the City of London Council's direction of September 2, 2014, the Corporation has been extended shared services support from the City. The City's support services include information technology, risk management, facility, finance, payroll, purchasing, legal and other administrative services to ensure operational efficiency. The Corporation has also entered into an agreement with the City under which the Corporation reimburses the City for salaries and fringe benefits for employees that provide services on behalf of the Corporation. The Corporation incurred charges of **\$25,000** (2021 - \$183,397) for these services and this expense has been included in the Statement of Operations.

During the year, the Corporation received municipal revenues from the shareholder, as follows:

- Operating appropriation revenue of **\$174,169** (2021 - \$416,409)
- Annual contribution to the affordable housing reserve fund of **\$3,080,000** (2021 - \$2,770,000)
- Administrative fee revenue of **\$nil** (2021 - \$262,160)
- Municipal funding contribution of **\$10,699,246** (2021 - \$15,405,956) towards building construction.

As at December 31, 2022, the Corporation owed the City **\$26,800** (2021 - \$nil), which is included in accounts payable and accrued liabilities along with **\$27,357** (2021 - \$nil), owing to other Boards of the City. Included in trades and other receivables is **\$117,458** (2021 - \$nil) due from other Boards of the City.

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

4. Long-term Debt

The Corporation received funding from Canada Mortgage Housing Corporation (CMHC) under the Seed Funding Program, established pursuant to Section 76, of the *National Housing Act*, for the development or implementation of proposals to help increase the supply of affordable housing and to assist the continued viability and affordability of existing projects. The Seed Funding Program offers funding under a grant program as well as a loan program. Under the grant program, the Corporation received \$150,000 in grant revenue in 2021.

The Corporation also received funding in 2021 that is subject to a loan agreement between the Corporation and CMHC, where CMHC agrees to provide a loan up to an amount of \$45,000. In 2021, advances in the amount of \$17,760 had been received by the Corporation. These advances were fully repaid in 2022.

Long-term debt is as follows:

	2022	2021
Long-term debt issued by CMHC under Seed Funding Program \$	- \$	17,760

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

5. Tangible Capital Assets

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Land	\$ 3,077,342	\$ 549,588	\$ -	\$ 3,626,930
Building	-	18,593,199	-	18,593,199
Leasehold improvements	218,431	-	-	218,431
Equipment and furniture	5,525	274,067	-	279,592
Assets under construction	18,146,061	12,501,026	18,540,946	12,106,141
Total	\$ 21,447,359	\$ 31,917,880	\$ 18,540,946	\$ 34,824,293

Accumulated Amortization	Balance at December 31, 2021	Amortization Expense	Amortization Disposals	Balance at December 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Building	-	228,336	-	228,336
Leasehold improvements	167,463	43,686	-	211,149
Equipment and furniture	4,445	14,424	-	18,869
Assets under construction	-	-	-	-
Total	\$ 171,908	\$ 286,446	\$ -	\$ 458,354

	Net Book Value December 31, 2021	Net Book Value December 31, 2022
Land	\$ 3,077,342	\$ 3,626,930
Building	-	18,364,863
Leasehold improvements	50,968	7,282
Equipment and furniture	1,080	260,723
Assets under construction	18,146,061	12,106,141
Total	\$ 21,275,451	\$ 34,365,939

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

6. Accumulated Surplus

Accumulated surplus consists of the following:

	2022	2021
Surplus		
Invested in tangible capital assets	\$ 34,365,939	\$ 21,275,451
Reserve funds set aside for specific purpose by the Board		
Future affordable housing (note 7)	3,486,633	6,744,308
Share capital		
100 Class A common shares (note 8)	100	100
	\$ 37,852,672	\$ 28,019,859

7. Analysis of Reserve Fund

	2022	2021
Reserve fund for future affordable housing:		
Balance, beginning of year	\$ 6,744,308	\$ 7,147,145
Interest earned	63,867	155,372
Contributions from current operations:		
Annual	3,080,000	2,770,000
Additional one-time from City of London	273	-
Transfers to current operations	(3,734,233)	(136,927)
Transfers to capital operations:		
Development of land for future use	(2,667,582)	(3,191,282)
Balance, end of year	\$ 3,486,633	\$ 6,744,308
	2022	2021
Comprised of:		
Contributions from the City of London, stipulated for use in future affordable housing projects	\$ 3,191,739	\$ 6,449,687
Accumulated operating surpluses held for future administration expenses	294,894	294,621
Balance, end of year	\$ 3,486,633	\$ 6,744,308

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

8. Share Capital

	2022	2021
Authorized:		
An unlimited number of Class A common shares		
An unlimited number of Class B common shares		
An unlimited number of Class C common shares		
An unlimited number of non-cumulative, redeemable, voting Class A Special shares		
An unlimited number of non-cumulative, redeemable, voting Class B Special shares		
An unlimited number of non-cumulative, redeemable, voting Class C Special shares		
An unlimited number of non-cumulative, redeemable, voting Class D Special shares		
An unlimited number of non-cumulative, redeemable, voting Class E Special shares		
Issued:		
100 Class A common shares	\$ 100	\$ 100

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

9. Budget Data

Budget data presented in these financial statements are based upon the 2022 operating budget approved by the Board. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. These adjustments include revenues and expenses which were budgeted in the capital budget and amortization. Given that certain budget information is not available in full accrual format, the assumption of using budget adjustments that equal the actual full accrual adjustments was used. These full accrual budget estimates are for financial statement presentation only.

The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	Budget
Revenues	
Municipal revenue – The Corporation of the City of London	\$ 3,927,453
Municipal revenue – Transfers from capital and reserve fund	46,000
Government grants	2,000
Total Revenues	3,975,453
Expenses	
Personnel costs	528,510
Administrative expenses	46,950
Financial expenses - Transfers to reserve fund	3,080,000
Purchased services	108,088
Materials and supplies	11,760
Furniture and equipment	15,000
Recovered expenses	185,145
Total expenses	3,975,453
Net surplus as per approved budget	-
PSAB reporting requirements and Budget adjustments:	
Capital program funding earned in year	10,709,352
Decrease in transfers to (from) capital and reserve fund	3,034,000
Increase in amorization	(286,446)
Increase in interest income - reserve fund	150,000
Net PSAB budget surplus as per financial statements	\$ 13,606,906

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2022

10. Commitments

- (a) The City is responsible for the delivery and administration of affordable housing programs in the City of London and the County of Middlesex. The City has delegated responsibilities for the administration and development activities for capital development within the Rental Housing Component to the Corporation.

Under this delegated authority, the Corporation has entered into various Municipal Contribution Agreements related to Affordable Housing Programs. The agreements are between the Corporation, the City and the successful proponent, who is selected through a procurement process. The agreements establish the proponent's obligations with respect to the program and the Corporation's and City's obligation to provide funding to the proponent.

As at December 31, 2022, the Corporation has outstanding commitments remaining on these agreements of **\$618,625** (2021 - \$629,475).

- (b) The Corporation is committed to the following minimum annual operating lease payments for premises as follows:

2023	\$	4,000
Total	\$	4,000

11. Other matters

The Corporation of the City of London (City), the sole shareholder of the Corporation, has undertaken resolutions to direct the transition of the affordable housing portfolio of the Housing Development Corporation, London into the City's corporate structure, including the Corporation's staff and business operations. At its Municipal Council meeting on March 23, 2021, the City resolved to have Civic Administration work and report back on the recommendations to winding up the Corporation when it has been confirmed that all commitments and functions of the Corporation have been assumed by the City.