

Financial Statements of

**LONDON & MIDDLESEX
COMMUNITY HOUSING INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of London & Middlesex Community Housing Inc

Opinion

We have audited the financial statements of London & Middlesex Community Housing Inc. (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 change in net debt 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 change in net debt 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.

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.



Page 3

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 19, 2023

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets		
Cash		
Accounts receivable (note 3)	\$ 1,289,054	\$ 2,924,769
Due from The Corporation of the City of London	2,350,779	1,040,638
	1,349,187	994,867
	4,989,020	4,960,274
Financial Liabilities		
Accounts payable and accrued liabilities	4,570,862	4,388,588
Tenant advances	874,437	867,371
Unearned miscellaneous revenue	60,818	61,686
CMHC loan (note 8)	771,000	59,267
	6,277,117	5,376,912
Net debt	(1,288,097)	(416,638)
Non-Financial Assets		
Tangible capital assets (note 7)	64,636,161	62,391,137
Prepaid expenses	966,537	806,814
	65,602,698	63,197,951
Commitments (note 5)		
Accumulated surplus (note 10)	\$ 64,314,601	\$ 62,781,313

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Operations

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

	2022 Budget	2022 Actual	2021 Actual
Revenue:			
Rental revenue	\$ 12,526,837	\$ 13,847,990	\$ 12,217,135
The Corporation of the City of London:			
Rental subsidy	12,094,182	12,094,182	11,690,441
Funding adjustment	-	(16,009)	(158,265)
Business Case 19	1,806,000	1,806,000	1,494,000
Capital funding	-	4,201,132	2,866,758
Business Case 18 Co-investment funding	-	-	449,442
CMHC revenue	-	456,568	37,891
Other	406,391	523,247	391,418
	<u>26,833,410</u>	<u>32,913,110</u>	<u>28,988,820</u>
Expenses:			
Salaries, wages and employee benefits	6,900,485	6,822,096	6,367,014
Maintenance, materials and services:			
Building, general	4,951,929	6,446,480	5,560,180
Grounds	1,225,000	1,429,266	1,306,839
Painting	300,000	259,746	351,828
Other	173,811	187,783	121,975
	<u>6,650,740</u>	<u>8,323,275</u>	<u>7,340,822</u>
Utilities:			
Electricity	1,996,161	1,980,685	1,938,019
Water	1,434,513	1,500,973	1,392,732
Natural gas	970,572	1,068,159	942,303
Energy saving project rebates	-	-	(306,796)
	<u>4,401,246</u>	<u>4,549,817</u>	<u>3,966,258</u>
Amortization	-	2,521,836	2,345,568
Property:			
Municipal taxes	5,388,084	5,285,587	5,117,741
Insurance	882,477	860,366	800,296
Mortgage payments (note 5)	9,275	9,046	55,652
	<u>6,279,836</u>	<u>6,154,999</u>	<u>5,973,689</u>
Administration	2,601,103	3,007,799	2,176,939
Total expenses	<u>26,833,410</u>	<u>31,379,822</u>	<u>28,170,290</u>
Annual surplus	-	1,533,288	818,530
Accumulated surplus, beginning of year	62,781,313	62,781,313	61,962,783
Accumulated surplus, end of year	<u>\$ 62,781,313</u>	<u>\$ 64,314,601</u>	<u>\$ 62,781,313</u>

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Changes in Net Debt

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

	2022 Budget	2022 Actual	2021 Actual
Annual surplus	\$ —	\$ 1,533,288	\$ 818,530
Acquisition of tangible capital assets	—	(4,766,860)	(2,773,922)
Amortization of tangible capital assets	—	2,521,836	2,345,568
		(2,245,024)	(428,354)
Acquisition of prepaid expenses	—	(7,941,654)	(7,575,428)
Use of prepaid expenses		7,781,931	7,464,481
		(159,723)	(110,947)
Change in net debt	—	(871,459)	279,229
Net debt, beginning of year	(416,638)	(416,638)	(695,866)
Net debt, end of year	\$ (416,638)	\$ (1,288,097)	\$ (416,638)

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

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	\$ 1,533,288	\$ 818,530
Items not involving cash:		
Amortization	2,521,836	2,345,568
Changes in non-cash items:		
Accounts receivable	(1,310,141)	245,554
Prepaid expenses	(159,721)	(110,949)
Due from The Corporation of the City of London	(354,322)	(301,106)
Accounts payable and accrued liabilities	182,274	837,318
Tenant advances	7,066	57,903
Unearned miscellaneous revenue	(868)	(8,696)
	2,419,412	3,884,122
Capital activities:		
Acquisition of tangible capital assets	(4,766,860)	(2,773,922)
Financing activities:		
Issuance of CMHC loan	711,733	59,267
Net (decrease) increase in cash	(1,635,715)	1,169,467
Cash (bank indebtedness), beginning of year	2,924,769	1,755,302
Cash, end of year	\$ 1,289,054	\$ 2,924,769

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Incorporation:

London & Middlesex Community Housing Inc. (formerly London & Middlesex Housing Corporation) (the "Corporation") operates housing accommodation primarily for persons of low and moderate income. The Corporation operates 3,282 units throughout The City of London and the County of Middlesex and is 100% owned by The Corporation of the City of London.

2. Significant accounting policies:

The financial statements of the Corporation are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Corporation are as follows:

(a) Tangible capital assets:

- i) 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
Site improvements	25 - 30
Buildings and improvements	25 - 40
Technology and communications	3
Vehicles	10
Furniture and fixtures	10
Machinery and equipment	25
Appliances	10

One half-year's amortization is charged in the year of acquisition.

ii) Contributions of capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(b) Revenue recognition:

Rental revenue is recognized at the time the service is provided. Other revenues are recognized when the services are earned.

Government transfer payments 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.

(c) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets and the valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(d) Budget data:

Budget Figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(e) Pension contributions:

The Corporation has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Corporation's costs are the contributions due to the plan in the period.

(f) Contaminated sites:

Under PS 3260, 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 organisms that exceeds the 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.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(g) Future accounting pronouncements:

(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).

(ii) 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).

3. Accounts receivable:

Accounts receivable recorded on the statement of financial position are composed of the following:

	2022	2021
Rent	\$ 1,811,198	\$ 866,432
Allowance for doubtful accounts	(1,014,699)	(433,746)
Harmonized Sales Tax	620,213	430,837
Sundry	934,067	177,115
	\$ 2,350,779	\$ 1,040,638

4. Income producing properties:

The income producing properties held by London & Middlesex Housing Authority and passed through to the Corporation were originally financed by the Province of Ontario through general obligation provincial debentures. At the time of the transfer of ownership the Province did not transfer the responsibility for repayment of these debentures. Accordingly, the value of the provincial debentures associated with them have not been recorded on the Corporation's financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Commitments:

(a) Debt service payment:

The Corporation is responsible for the debt service payments on one of its properties located on Bella Street in Strathroy, Ontario. These payments of both principal and interest are made directly to the mortgagee and are expensed when incurred. A total of \$9,046 was expensed and paid in 2022 (2021 - \$55,652). The Ontario government is considered to be the holder of this debt, thus no provision has been made in the Corporation's financial statements for the mortgage. This debt was paid in full in 2022.

(b) Contractual obligations:

The Corporation is committed to the following minimum annual operating lease payments for premises and equipment

2023		\$	601,754
2024			601,754
2025			593,428
2026			151,877

6. Pension agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. In 2022 contribution rates are 9.0% for employee earnings below the year's maximum pensionable earnings and 14.6% thereafter. Employee contributions match these rates.

Contributions to OMERS by the Corporation are recognized as an expense in the period they are incurred. A total of \$467,983 was incurred as pension expense in 2022 (2021 - \$442,277).

The last available report for the OMERS plan was on December 31, 2022. At that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion), based on actuarial liabilities for \$130.3 billion (2021 - \$120.8 billion) and actuarial assets for \$123.6 billion (2021 - \$117.7 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Tangible capital assets:

Cost	Balance at December 31, 2021	2022 Additions	2022 Disposals	Balance at December 31, 2022
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,672,398	163,573	-	3,835,971
Buildings and improvements	100,820,906	3,528,468	-	104,349,374
Technology and communications	1,726,233	150,294	171,310	1,705,217
Vehicles	48,297	-	-	48,297
Furniture and fixtures	292,385	25,795	-	318,180
Machinery and equipment	3,549,805	767,199	-	4,317,004
Appliances	2,386,264	131,531	-	2,517,795
Total	\$137,102,039	\$ 4,766,860	\$ 171,310	141,697,589

Accumulated amortization	Balance at December 31, 2021	2022 Disposals	2022 Amortization	Balance at December 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,981,328	-	86,137	2,067,465
Buildings and improvements	67,489,151	-	1,873,995	69,363,146
Technology and communications	1,281,542	171,310	304,267	1,414,499
Vehicles	45,882	-	2,415	48,297
Furniture and fixtures	174,565	-	27,039	201,604
Machinery and equipment	1,900,023	-	128,874	2,028,897
Appliances	1,838,411	-	99,109	1,937,520
Total	\$ 74,710,902	171,310	2,521,836	\$ 77,061,428

	Net book value December 31, 2021	Net book value December 31, 2022
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,691,070	1,768,506
Buildings and improvements	33,331,755	34,986,228
Technology and communications	444,691	290,718
Vehicles	2,415	-
Furniture and fixtures	117,820	116,576
Machinery and equipment	1,649,782	2,288,107
Appliances	547,853	580,275
Total	\$ 62,391,137	\$ 64,636,161

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. CMHC credit agreement:

On November 25, 2021, together with the City of London as a guarantor, LMCH entered into a ten-year credit agreement with Canada Mortgage and Housing Corporation (CMHC) to finance repairs and renewal of designated housing units at thirteen sites owned and operated by LMCH. Under the agreement, LMCH will make quarterly drawdowns up to a maximum of \$40,136,090. LMCH plans to draw the full amount by the end of 2027, 39% of the loan will be forgivable. LMCH will be receiving funds in seven tranches each with its specific interest rate. The first Loan Facility was received on December 9, 2021 with the applicable interest rate for a Repayable Loan of 1.84% for the first tranche, second tranche was received in 2022 bear interest of 3.01%. CMHC received funding is allocated to three areas: Energy efficiency, Accessibility and Property Repairs & Renewals. LMCH has an option to extend the term of any of the repayable loans for an additional ten years. At this time the intention is to pay each tranche back to CMHC after the first ten years and waive the option to extend.

	2022		2021	
Repayable Loan Tranche 1	\$	58,336	\$	59,267
Repayable Loan Tranche 2		712,664		-
	\$	771,000	\$	59,267

Forgivable loans in the amount of \$455,638 (2021 - \$37,891) were received during the year and were reflected as CMHC revenue on the statement of operations. Should the Corporation not meet certain requirements throughout the term of the loans they may be required to repay these amounts.

9. Capital allotment:

An approved capital allotment is managed by the City of London to finance future capital expenditures. The allotment has not been recognized in these financial statements and will be accounted for as the funds are received and expensed.

	2022		2021	
Opening balance	\$	6,308,910	\$	3,856,956
Contributions during the year		6,525,000		5,614,000
Capital expenditures		(3,426,633)		(3,162,046)
	\$	9,407,277	\$	6,308,910

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

10. Accumulated surplus:

	2022	2021
Surplus:		
Business Case 18 Co-investment Funding	\$ 449,440	\$ 449,443
CHMC loan	(771,000)	(59,267)
Invested in tangible capital assets	64,636,161	62,391,137
	<u>\$ 64,314,601</u>	<u>\$ 62,781,313</u>

11. Contingencies:

The Corporation is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. It has been determined by management that the outcome of these claims is not determinable at this point and as such no amount has been included in these financial statements.