

Financial Statements of

**LONDON & MIDDLESEX
COMMUNITY HOUSING INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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INDEPENDENT AUDITORS' 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, 2023
- 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, 2023, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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



Emphasis of Matter - Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion such adjustments are appropriate and have been properly applied.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

We also:

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

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

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

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 31, 2024

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Financial Position

December 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|--|----------------------|------------------------|
| | | (Restated - note 3) |
| Financial Assets | | |
| Cash | \$ 513,297 | \$ 1,289,054 |
| Accounts receivable (note 4) | 4,246,100 | 2,350,779 |
| Due from The Corporation of the City of London | 2,796,240 | 1,349,187 |
| | <u>7,555,637</u> | <u>4,989,020</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 7,331,461 | 4,570,862 |
| Tenant advances | 956,834 | 874,437 |
| Unearned miscellaneous revenue | 84,536 | 60,818 |
| Asset retirement obligation (note 13) | 36,316,420 | 36,316,420 |
| CMHC loan (note 9) | 2,894,602 | 771,000 |
| | <u>47,583,853</u> | <u>42,593,537</u> |
| Net debt | (40,028,216) | (37,604,517) |
| Non-Financial Assets | | |
| Tangible capital assets (note 8) | 73,611,712 | 64,636,161 |
| Prepaid expenses | 1,266,636 | 966,537 |
| | <u>74,878,348</u> | <u>65,602,698</u> |
| Commitments (note 6) | | |
| Accumulated surplus (note 11) | \$ 34,850,132 | \$ 27,998,181 |

See accompanying notes to financial statements.

On behalf of the Board:

Philip Squire

Director

Colin Grantham

Director

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

| | 2023 Budget | 2023 Actual | 2022 Actual (Restated - note 3) |
|--|----------------------|----------------------|--|
| Revenue: | | | |
| Rental revenue | \$ 14,001,605 | \$ 13,563,029 | \$ 13,847,990 |
| The Corporation of the City of London: | | | |
| Rental subsidy | 12,630,651 | 12,630,651 | 12,094,182 |
| Funding adjustment | – | 33,364 | (16,009) |
| Business Case 19 | 2,046,000 | 2,046,000 | 1,806,000 |
| Capital funding | – | 10,632,740 | 4,201,132 |
| CMHC revenue | – | 1,359,403 | 456,568 |
| Other | 450,533 | 630,071 | 523,247 |
| | <u>29,128,789</u> | <u>40,895,258</u> | <u>32,913,110</u> |
| Expenses: | | | |
| Salaries, wages and employee benefits | 7,945,860 | 7,948,931 | 6,822,096 |
| Maintenance, materials and services: | | | |
| Building, general | 5,212,683 | 7,770,696 | 6,446,480 |
| Grounds | 1,295,350 | 1,443,300 | 1,429,266 |
| Painting | 374,015 | 553,831 | 259,746 |
| Other | 289,712 | 189,368 | 187,783 |
| | <u>7,171,760</u> | <u>9,957,195</u> | <u>8,323,275</u> |
| Utilities: | | | |
| Electricity | 1,863,579 | 1,973,032 | 1,980,685 |
| Water | 1,651,572 | 1,639,400 | 1,500,973 |
| Natural gas | 1,192,177 | 1,125,786 | 1,068,159 |
| Energy saving project rebates | – | (39,328) | – |
| | <u>4,707,328</u> | <u>4,698,890</u> | <u>4,549,817</u> |
| Amortization | – | 2,745,193 | 2,521,836 |
| Property: | | | |
| Municipal taxes | 5,410,033 | 5,434,420 | 5,285,587 |
| Insurance | 1,065,959 | 1,061,607 | 860,366 |
| Mortgage payments (note 5) | – | – | 9,046 |
| | <u>6,475,992</u> | <u>6,496,027</u> | <u>6,154,999</u> |
| Administration | 2,827,849 | 2,197,071 | 3,007,799 |
| Total expenses | <u>29,128,789</u> | <u>34,043,307</u> | <u>31,379,822</u> |
| Annual surplus | – | 6,851,951 | 1,533,288 |
| Accumulated surplus, beginning of year | 27,998,181 | 27,998,181 | 62,781,313 |
| Adjustment for asset retirement obligation | – | – | (36,316,420) |
| Accumulated surplus, end of year | <u>\$ 27,998,181</u> | <u>\$ 34,850,132</u> | <u>\$ 27,998,181</u> |

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Changes in Net Debt

Year ended December 31, 2023, with comparative information for 2022

| | 2023 Budget | 2023 Actual | 2022 Actual (Restated - note 3) |
|--|-----------------|-----------------|--|
| Annual surplus | \$ — | \$ 6,851,951 | \$ 1,533,288 |
| Acquisition of tangible capital assets | — | (11,720,746) | (4,766,860) |
| Amortization of tangible capital assets | — | 2,745,193 | 2,521,836 |
| | — | (8,975,553) | (2,245,024) |
| Acquisition of prepaid expenses | — | (8,434,437) | (7,941,654) |
| Use of prepaid expenses | — | 8,134,340 | 7,781,931 |
| | — | (300,097) | (159,723) |
| Change in net debt | — | (2,423,699) | (871,459) |
| Net debt, beginning of year | (37,604,517) | (37,604,517) | (416,638) |
| Adjustment for asset retirement obligation (note 3) | — | — | (36,316,420) |
| Net debt, end of year | \$ (37,604,517) | \$ (40,028,216) | \$ (37,604,517) |

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 6,851,951 | \$ 1,533,288 |
| Items not involving cash: | | |
| Amortization | 2,745,193 | 2,521,836 |
| Changes in non-cash items: | | |
| Accounts receivable | (1,895,322) | (1,310,141) |
| Prepaid expenses | (300,098) | (159,721) |
| Due from The Corporation of the City of London | (1,447,050) | (354,322) |
| Accounts payable and accrued liabilities | 2,760,599 | 182,274 |
| Tenant advances | 82,397 | 7,066 |
| Unearned miscellaneous revenue | 23,717 | (868) |
| | 8,821,387 | 2,419,412 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (11,720,746) | (4,766,860) |
| Financing activities: | | |
| Issuance of CMHC loan | 2,123,602 | 711,733 |
| Net decrease in cash | (775,757) | (1,635,715) |
| Cash, beginning of year | 1,289,054 | 2,924,769 |
| Cash, end of year | \$ 513,297 | \$ 1,289,054 |

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements

Year ended December 31, 2023

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.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

An asset retirement obligation is recognized when, at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(a) Tangible capital assets (continued):

(i) (continued):

A liability for the removal of asbestos and other hazardous materials in the building owned by the Corporation has been recognized based on estimated future expenses.

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in this note.

In addition, the Corporation's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

(ii) Contributions of capital assets:

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

(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.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(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.

(g) 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).

Financial instruments are classified into three categories: fair value, amortized cost or cost. Portfolio investments reported at fair value consist of equity instruments, certain fixed income securities, and any other investments where the investments are managed and evaluated on a fair value basis and the fair value option is elected.

Other financial instruments, including cash, accounts receivable, CMHC loan, and accounts payable and accrued liabilities are initially recorded at their fair value and are subsequently measured at cost or amortized cost, net of any provisions for impairment.

Upon standard implementation, amortized cost will be measured using the effective interest rate method, as opposed to the straight-line method.

Amortized cost: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy – adoption of new accounting standards:

The Corporation adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments*.

- (a) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.
- (b) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (c) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (d) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

Fair value hierarchy: The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- (i) Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy – adoption of new accounting standards (continued):

(d) (continued):

- (iii) Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

- (e) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 using the modified retrospective approach.

In the past, the Corporation has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

As a result of applying this accounting standard, an asset retirement obligation of \$36,316,420 (2022 - \$36,316,420) was recognized as a liability in the Statement of Financial Position. These obligations represent estimated retirement costs for the Corporation owned buildings.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy – adoption of new accounting standards (continued):

(e) (continued):

The adoption of PS 3280 ARO was applied to the comparative period and balances were restated as follows:

| 2022 | As previously stated | Adjustments | As restated |
|---------------------------------------|-------------------------|--------------|--------------|
| Statement of Financial Position | | | |
| Asset retirement obligation liability | – | 36,316,420 | 36,316,420 |
| Accumulated surplus | 64,314,601 | (36,316,420) | 27,998,181 |
| Statement of Changes in Net Debt | | | |
| Adjustment for asset retirement | – | (36,316,420) | (36,316,420) |
| Net debt, beginning of year | (1,288,097) | (36,316,420) | (37,604,517) |

4. Accounts receivable:

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

| | 2023 | 2022 |
|---------------------------------|--------------|--------------|
| Rent | \$ 1,747,410 | \$ 1,811,198 |
| Allowance for doubtful accounts | (782,979) | (1,014,699) |
| Harmonized Sales Tax | 845,416 | 620,213 |
| LMHC Accounts Receivable | 2,274,066 | 615,615 |
| Sundry | 162,187 | 318,452 |
| | \$ 4,246,100 | \$ 2,350,779 |

5. 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, 2023

6. Commitments:

(a) Contractual obligations:

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

| | | |
|------|----|---------|
| 2024 | \$ | 601,754 |
| 2025 | | 593,427 |
| 2026 | | 153,881 |

7. 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 2023 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 \$564,779 was incurred as pension expense in 2023 (2022 - \$467,983).

The last available report for the OMERS plan was on December 31, 2023. At that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion), based on actuarial liabilities for \$136.2 billion (2022 - \$130.3 billion) and actuarial assets for \$131.9 billion (2022 - \$123.6 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, 2023

8. Tangible capital assets:

| Cost | Balance at December 31, 2022 | 2023 Additions | 2023 Disposals | Balance at December 31, 2023 |
|-------------------------------|------------------------------------|----------------------|-------------------|------------------------------------|
| | (Restated - note 3) | | | |
| Land | \$ 24,605,751 | \$ — | \$ — | \$ 24,605,751 |
| Site improvements | 3,835,972 | 3,102,887 | — | 6,938,859 |
| Buildings and improvements | 140,665,793 | 7,486,752 | — | 148,152,545 |
| Technology and communications | 1,705,217 | 5,346 | 64,625 | 1,645,938 |
| Vehicles | 48,297 | — | — | 48,297 |
| Furniture and fixtures | 318,180 | 10,895 | 42,683 | 286,392 |
| Machinery and equipment | 4,317,004 | 935,353 | — | 5,252,357 |
| Appliances | 2,517,795 | 179,513 | — | 2,697,308 |
| Total | \$ 178,014,009 | \$ 11,720,746 | \$ 107,308 | \$ 189,627,447 |

| Accumulated amortization | Balance at December 31, 2022 | 2023 Disposals | 2023 Amortization | Balance at December 31, 2023 |
|-------------------------------|------------------------------------|-------------------|----------------------|------------------------------------|
| | (Restated - note 3) | | | |
| Land | \$ — | \$ — | \$ — | \$ — |
| Site improvements | 2,067,465 | — | 141,114 | 2,208,579 |
| Buildings and improvements | 105,679,566 | — | 2,131,559 | 107,811,125 |
| Technology and communications | 1,414,499 | 64,625 | 187,058 | 1,536,932 |
| Vehicles | 48,297 | — | — | 48,297 |
| Furniture and fixtures | 201,604 | 42,683 | 24,363 | 183,284 |
| Machinery and equipment | 2,028,897 | — | 157,788 | 2,186,685 |
| Appliances | 1,937,520 | — | 103,311 | 2,040,831 |
| Total | \$ 113,377,848 | \$ 107,308 | \$ 2,745,193 | \$ 116,015,733 |

| | Net book value December 31, 2022 | Net book value December 31, 2023 |
|-------------------------------|-------------------------------------|-------------------------------------|
| | (Restated - note 3) | |
| Land | \$ 24,605,751 | \$ 24,605,751 |
| Site improvements | 1,768,506 | 4,730,279 |
| Buildings and improvements | 34,986,227 | 40,341,421 |
| Technology and communications | 290,718 | 109,006 |
| Vehicles | — | — |
| Furniture and fixtures | 116,577 | 103,108 |
| Machinery and equipment | 2,288,107 | 3,065,672 |
| Appliances | 580,275 | 656,475 |
| Total | \$ 64,636,161 | \$ 73,611,712 |

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. 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.

| | 2023 | 2022 |
|--------------------------|--------------|------------|
| Repayable Loan Tranche 1 | \$ 57,305 | \$ 58,336 |
| Repayable Loan Tranche 2 | 2,837,297 | 712,664 |
| | \$ 2,894,602 | \$ 771,000 |

Forgivable loans in the amount of \$1,359,403 (2022 - \$456,568) 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.

10. 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.

| | 2023 | 2022 |
|-------------------------------|---------------|--------------|
| Opening balance | \$ 9,407,277 | \$ 6,308,910 |
| Contributions during the year | 8,350,000 | 6,525,000 |
| Capital expenditures | (7,264,032) | (3,426,633) |
| | \$ 10,493,245 | \$ 9,407,277 |

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

11. Accumulated surplus:

| | 2023 | 2022 |
|--|---------------|---------------|
| Surplus: | | |
| Business Case 18 Co-investment Funding | \$ 449,442 | \$ 449,440 |
| CHMC loan | (2,894,602) | (771,000) |
| Invested in tangible capital assets | 73,611,712 | 64,636,161 |
| Asset retirement obligation (note 13) | (36,316,420) | (36,316,420) |
| | \$ 34,850,132 | \$ 27,998,181 |

12. 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.

13. Asset retirement obligations:

The Corporation has recorded an asset retirement obligation as of the January 1, 2023 implementation date on a modified retroactive basis, with a restatement of prior year amounts.

As at December 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation liability is below:

| | 2023 | 2022 |
|--|---------------|---------------|
| Liabilities for asset retirement obligations, beginning of year | \$ 36,316,420 | \$ — |
| Opening adjustments | — | 36,316,420 |
| Liabilities for asset retirement obligations, end of year | \$ 36,316,420 | \$ 36,316,420 |

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

14. Financial risks and concentration risk:

Risks arising from financial instruments and risk management:

The Corporation is exposed to a variety of financial risks including credit risks, liquidity risk and market risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

(a) Credit risk:

The Corporation's principal financial assets that are subject to credit risk are cash and accounts receivable. The carrying amounts of financial assets on the Statement of Financial Position represent the Corporation's maximum credit exposure as at the Statement of Financial Position date.

(b) Liquidity risk:

The Corporation mitigates liquidity risk by monitoring cash activities and expected outflows through extensive budgeting. Accounts payable and accrued liabilities are all current. There have been no significant changes from the previous year in the Corporation's exposure to liquidity risk or policies, procedures and methods used to measure the risk. All accounts payable and accrued liabilities will be paid within twelve (12) months.

(c) Market risk:

The Corporation's financial instruments consist of cash, accounts receivable, loans payable and accounts payable and accrued liabilities. It is Corporation's opinion that it is not exposed to significant interest rate or currency risks arising from these financial instruments except as otherwise disclosed.