



KPMG LLP
1400-140 Fullarton Street
London, Ontario N6A 5P2
Canada

April 23, 2014

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of London & Middlesex Housing Corporation ("the Entity") as at and for the period ended December 31, 2014.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in Attachment I to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

GENERAL:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 1, 2010, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
 - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements



INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions/balances of which we are aware and all related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 6) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.



NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 7) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

MISSTATEMENTS:

- 8) We approve the corrected misstatements identified by you during the audit described in Attachment II.

Yours very truly,

LONDON & MIDDLESEX HOUSING CORPORATION



Mr. Steve Matthew, Executive Director

I have the recognized authority to take, and assert that I have taken, responsibility for the financial statements



Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with Canadian generally accepted accounting principles, *related party* is defined as:

- a party which has the ability to exercise, directly or indirectly, control, joint control or significant influence over another party. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Canadian generally accepted accounting principles, a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Financial Statements of

**LONDON & MIDDLESEX HOUSING
CORPORATION**

Year ended December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London & Middlesex Housing Corporation

We have audited the accompanying financial statements of London & Middlesex Housing Corporation, which comprise the statement of financial position as at December 31, 2014, the statements of operations, change in net financial debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of London & Middlesex Housing Corporation as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

April 23, 2015

London, Canada

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Financial Position

As at December 31, 2014, with comparative information for 2013

	2014	2013
Financial Assets:		
Cash	\$ 1,563,093	\$ 2,528,992
Accounts receivable (note 3)	700,191	735,440
Due from The City of London	1,075,186	-
	<u>3,338,470</u>	<u>3,264,432</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	2,899,977	2,780,207
Deferred revenue	-	403,970
Tenants advances	428,517	366,415
Unearned miscellaneous revenue	71,171	70,546
	<u>3,399,665</u>	<u>3,621,138</u>
Net debt	(61,195)	(356,706)
Non-financial Assets:		
Tangible capital assets (note 7)	49,889,897	47,625,799
Prepaid expenses	61,195	356,706
	<u>49,951,092</u>	<u>47,982,505</u>
Commitments (note 5)		
Accumulated surplus (note 8)	\$ 49,889,897	\$ 47,625,799

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget	2014	2013
Revenue:			
Rental revenue	\$ 9,968,000	\$ 10,365,263	\$ 10,016,139
Rental subsidy	7,954,857	7,947,248	8,329,141
The City of London funding adjustment	-	124,507	(273,415)
Rent supplement subsidy surplus	30,000	2,012	22,505
Capital funding	-	3,275,191	1,381,665
Energy savings project rebates	-	499,557	461,530
Other	272,700	264,218	280,327
Total revenue	18,225,557	22,477,996	20,217,892
Expenses:			
Salaries, wages and employee benefits	4,404,462	4,247,328	4,142,975
Maintenance, materials and services:			
Building, general	2,486,900	2,892,618	2,897,297
Grounds	790,900	847,265	810,092
Painting	345,000	263,311	417,275
Other	167,100	112,424	262,296
	3,789,900	4,115,618	4,386,960
Utilities:			
Electricity	1,734,000	2,012,761	1,768,627
Water	878,800	932,902	876,434
Natural gas	1,069,600	1,021,161	1,144,737
	3,682,400	3,966,824	3,789,798
Amortization	-	1,457,231	1,390,050
Property:			
Insurance	462,700	494,018	429,649
Municipal taxes	4,791,700	4,695,884	4,424,642
Mortgage payments	48,400	48,405	48,405
	5,302,800	5,238,307	4,902,696
Administration	1,045,995	1,188,590	1,174,501
Total expenses	18,225,557	20,213,898	19,786,980
Annual surplus	-	2,264,098	430,912
Accumulated surplus, beginning of year	47,625,799	47,625,799	47,194,887
Accumulated surplus, end of year	\$ 47,625,799	\$ 49,889,897	\$ 47,625,799

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Annual surplus	\$ 2,264,098	\$ 430,912
Acquisition of tangible capital assets	(3,721,745)	(1,824,198)
Loss on disposal of tangible capital assets	416	3,236
Amortization of tangible capital assets	1,457,231	1,390,050
	(2,264,098)	(430,912)
Acquisition of prepaid expenses	(6,691,505)	(5,317,675)
Use of prepaid expenses	6,987,016	5,308,177
Change in net financial debt	295,511	(9,498)
Net debt, beginning of year	(356,706)	(347,208)
Net debt, end of year	\$ (61,195)	\$ (356,706)

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Cash Flows

December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,264,098	\$ 430,912
Items not involving cash:		
Amortization	1,457,231	1,390,050
Loss on disposal of tangible capital assets	416	3,236
Changes in non-cash items:		
Accounts receivable	35,249	(328,791)
Prepaid expenses	295,511	(9,498)
Due from The City of London	(1,075,186)	636,627
Accounts payable and accrued liabilities	119,770	586,721
Tenant advances	62,102	(49,700)
Unearned miscellaneous revenue	625	15,112
Deferred revenue	(403,970)	(481,200)
	2,755,846	2,193,469
Capital activities:		
Cash used to acquire tangible capital assets	(3,721,745)	(1,824,198)
Increase (decrease) in cash	(965,899)	369,271
Cash, beginning of year	2,528,992	2,159,721
Cash, end of year	\$ 1,563,093	\$ 2,528,992

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements

December 31, 2014

1. Incorporation:

The 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 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	20-35
Buildings and improvements	15-40
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 HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2014

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 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.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2014

3. Accounts receivable:

	2014	2013
Rent	\$ 195,355	\$ 225,384
Harmonized sales tax	313,354	464,453
Sundry	191,482	45,603
	<u>\$ 700,191</u>	<u>\$ 735,440</u>

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

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 \$48,405 was expensed and paid in 2014 (2013 - \$48,408). 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.

(b) Contractual obligations:

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

2015	\$	204,976
2016		110,677
2017		16,377
2018		16,377
2019		19,060

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. The 2014 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 \$301,148 was incurred as pension expense in 2014 (2013 - \$291,874).

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2014

7. Tangible capital assets:

Cost	Balance at December 31, 2013	2014 Additions	2014 Disposals	Balance at December 31, 2014
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,107,805	169,511	-	3,277,316
Buildings and improvements	75,644,635	3,471,587	-	79,116,222
Technology and communications	667,920	28,265	(1,854)	694,331
Vehicles	48,297	-	-	48,297
Furniture and fixtures	267,622	-	(3,643)	263,979
Machinery and equipment	2,725,396	25,568	-	2,750,964
Appliances	1,599,534	26,814	(1,200)	1,625,148
Total	\$ 108,666,960	\$ 3,721,745	\$ (6,697)	\$ 112,382,008

Accumulated amortization	Balance at December 31, 2013	2014 Disposals	2014 Amortization	Balance at December 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,449,072	-	69,863	1,518,935
Buildings and improvements	56,740,231	-	1,053,181	57,793,412
Technology and communications	435,339	(1,854)	128,326	561,811
Vehicles	7,245	-	4,830	12,075
Furniture and fixtures	132,630	(3,227)	13,875	143,278
Machinery and equipment	1,110,940	-	78,495	1,189,435
Appliances	1,165,704	(1,200)	108,661	1,273,165
Total	\$ 61,041,161	\$ (6,281)	\$ 1,457,231	\$ 62,492,111

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2014

7. Tangible capital assets (continued):

	Net book value at December 31, 2013	Net book value at December 31, 2014
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,658,733	1,758,381
Buildings and improvements	18,904,404	21,322,810
Technology and communications	232,581	132,520
Vehicles	41,052	36,222
Furniture and fixtures	134,992	120,701
Machinery and equipment	1,614,456	1,561,529
Appliances	433,830	351,983
	<u>\$ 47,625,799</u>	<u>\$ 49,889,897</u>

8. Accumulated surplus:

Accumulated surplus consists of surplus funds as follows:

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 49,899,897	\$ 47,625,799