

Financial Statements of

**LONDON & MIDDLESEX  
COMMUNITY HOUSING INC.**

Year ended December 31, 2018



KPMG LLP  
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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, 2018
- 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, 2018, and its results of operations, its changes 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.



## ***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.

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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 30, 2019

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial Assets:</b>		
Cash	\$ 1,520,921	\$ 1,501,897
Accounts receivable (note 3)	914,739	1,280,317
Due from The Corporation of the City of London	740,062	1,279,156
	<u>3,175,722</u>	<u>4,061,370</u>
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities	2,962,605	3,851,506
Tenant advances	649,246	623,337
Unearned miscellaneous revenue	67,672	57,975
	<u>3,679,523</u>	<u>4,532,818</u>
Net debt	(503,801)	(471,448)
<b>Non-Financial Assets:</b>		
Tangible capital assets (note 7)	54,281,872	51,957,297
Prepaid expenses	503,801	471,448
	<u>54,785,673</u>	<u>52,428,745</u>
Commitments (note 5)		
<b>Accumulated surplus (note 9)</b>	<b>\$ 54,281,872</b>	<b>\$ 51,957,297</b>

See accompanying notes to financial statements

On behalf of the Board:

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Director

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
<b>Revenue:</b>			
Rental revenue	\$ 11,411,078	\$ 11,460,132	\$ 11,122,354
Rental subsidy	10,202,215	10,202,215	9,758,730
The Corporation of the City of London:			
Funding adjustment		35,284	(4,506)
Capital funding	-	3,904,191	2,610,289
Energy savings project rebates	-	-	74,100
Other	259,474	292,406	354,605
	21,872,767	25,894,228	23,915,572
<b>Expenses:</b>			
Salaries, wages and employee benefits	5,108,262	5,239,281	4,790,722
Maintenance, materials and services:			
Building, general	3,529,214	3,554,708	3,506,268
Grounds	888,195	1,048,150	846,330
Painting	321,017	288,203	320,347
Other	267,957	145,870	152,119
	5,006,383	5,036,931	4,825,064
Utilities:			
Electricity	1,901,232	1,927,787	1,984,966
Water	1,129,273	1,147,591	1,116,774
Natural gas	926,139	884,663	929,885
	3,956,644	3,960,041	4,031,625
Amortization	-	1,680,278	1,529,531
Property :			
Insurance	614,652	598,618	630,535
Municipal taxes	5,457,422	5,396,636	5,289,982
Mortgage payments	46,871	46,871	46,871
	6,118,945	6,042,125	5,967,388
Administration	1,682,533	1,610,997	1,685,153
Total expenses	21,872,767	23,569,653	22,829,483
Annual surplus	-	2,324,575	1,086,089
Accumulated surplus, beginning of year	51,957,297	51,957,297	50,871,208
Accumulated surplus, end of year	\$ 51,957,297	\$ 54,281,872	\$ 51,957,297

See accompanying notes to financial statements

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus	\$ -	\$ 2,324,575	\$ 1,086,089
Acquisition of tangible capital assets	-	(4,047,920)	(2,615,620)
Disposal of tangible capital assets net of accumulated amortization	-	43,067	
Amortization of tangible capital assets	-	1,680,278	1,529,531
		(2,324,575)	(1,086,089)
Acquisition of prepaid expenses	-	(6,832,743)	(6,600,274)
Use of prepaid expenses	-	6,800,389	6,581,068
Change in net debt	-	(32,353)	(19,206)
Net debt, beginning of year	(471,448)	(471,448)	(452,242)
Net debt, end of year	\$ (471,448)	\$ (503,801)	\$ (471,448)

See accompanying notes to financial statements

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,324,575	\$ 1,086,089
Items not involving cash:		
Amortization	1,680,278	1,529,531
Loss on disposal of tangible capital assets	43,067	
Changes in non-cash items:		
Accounts receivable	365,578	(453,635)
Prepaid expenses	(32,353)	(19,206)
Due from The Corporation of the City of London	539,094	(429,727)
Accounts payable and accrued liabilities	(888,901)	1,184,200
Tenant advances	25,909	114,410
Unearned miscellaneous revenue	9,697	(4,943)
	4,066,944	3,006,719
Capital activities:		
Acquisition of tangible capital assets	(4,047,920)	(2,615,620)
Net increase in cash	19,024	391,099
Cash, beginning of year	1,501,897	1,110,798
Cash, end of year	\$ 1,520,921	\$ 1,501,897

See accompanying notes to financial statements



## LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements

Year ended December 31, 2018

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### 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 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:

<b>Asset</b>	<b>Useful Life-Years</b>
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.

#### (b) Revenue recognition:

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

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 the Financial Statements (continued)

Year ended December 31, 2018

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### **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

(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

(g) Adoption of new accounting policies:

(i) Related party disclosures:

The Corporation adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required 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. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity transactions:

The Corporation adopted Public Sector Accounting Board Standards PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability are nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the 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 may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

Notes to the Financial Statements (continued)

Year ended December 31, 2018

**3. Accounts receivable:**

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

	2018	2017
Rent	\$ 784,566	\$ 1,347,589
Allowance for doubtful accounts	(417,084)	(945,401)
Harmonized Sales Tax	261,841	477,735
Sundry	285,416	400,394
	\$ 914,739	\$ 1,280,317

**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 \$46,871 was expensed and paid in 2018 (2017 - \$46,871). 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

2019	\$	332,952
2020		334,223
2021		137,090

**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. 2018 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 \$343,064 was incurred as pension expense in 2018 (2017 - \$312,640).

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

Notes to the Financial Statements (continued)

Year ended December 31, 2018

**7. Tangible capital assets:**

<b>Cost</b>	<b>Balance at December 31, 2017</b>	<b>2018 Additions</b>	<b>2018 Disposals</b>	<b>Balance at December 31, 2018</b>
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,496,415	41,626	104,677	3,433,364
Buildings and improvements	84,424,782	3,568,872	-	87,993,654
Technology and communications	628,470	223,918	22,688	829,700
Vehicles	48,297	-	-	48,297
Furniture and fixtures	233,981	2,543	6,507	230,017
Machinery and equipment	3,397,879	87,667	-	3,485,546
Appliances	1,873,289	123,294	-	1,996,583
<b>TOTAL</b>	<b>\$ 118,708,864</b>	<b>\$ 4,047,920</b>	<b>\$ 133,872</b>	<b>\$ 122,622,912</b>

<b>Accumulated Amortization</b>	<b>Balance at December 31, 2017</b>	<b>2018 Disposals</b>	<b>2018 Amortization</b>	<b>Balance at December 31, 2018</b>
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,731,188	61,610	76,104	1,745,682
Buildings and improvements	61,333,939	-	1,331,988	62,665,927
Technology and communications	548,853	22,688	85,519	611,684
Vehicles	26,565	-	4,830	31,395
Furniture and fixtures	80,748	6,507	24,324	98,565
Machinery and equipment	1,464,613	-	106,637	1,571,250
Appliances	1,565,661	-	50,876	1,616,537
<b>TOTAL</b>	<b>\$ 66,751,567</b>	<b>\$ 90,805</b>	<b>\$ 1,680,278</b>	<b>\$ 68,341,040</b>

	<b>Net Book Value At December 31, 2017</b>	<b>Net Book Value At December 31, 2018</b>
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,765,227	1,687,682
Buildings and improvements	23,090,843	25,327,727
Technology and communications	79,617	218,016
Vehicles	21,732	16,902
Furniture and fixtures	153,233	131,452
Machinery and equipment	1,933,266	1,914,296
Appliances	307,628	380,046
<b>TOTAL</b>	<b>\$ 51,957,297</b>	<b>\$ 54,281,872</b>

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

Notes to the Financial Statements (continued)

Year ended December 31, 2018

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**8. 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.

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	2018
Opening balance	\$ 1,735,040
Contributions during the year	2,708,000
Capital expenditures	(1,463,458)
	<hr/> \$ 2,979,582 <hr/>

**9. Accumulated Surplus:**

Accumulated surplus consists of surplus funds as follows:

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	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 54,281,872	\$ 51,957,297

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# London & Middlesex Community Housing Inc.

Audit Findings Report for the year ended  
December 31, 2018

*KPMG LLP*

May 15, 2019

[kpmg.ca/audit](http://kpmg.ca/audit)

**KPMG**



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The contacts at KPMG in connection with this report are:

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# Executive summary



## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of the Finance Committee, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2018.

This Audit Findings Report builds on the Audit Plan we presented to the Finance Committee on February 13, 2019.



## Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.



## Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- obtaining a response to our confirmation request from The Corporation of the City of London;
- obtaining a signed copy of the management representation letter;
- completing our discussions with the Finance Committee;
- obtaining evidence of the Board's approval of the financial statements.

We will update the Finance Committee, and not solely the Chair (as required by professional standards), on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

\*This Audit Findings Report should not be used for any other purpose or by anyone other than the Finance Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.





# Executive summary (continued)



## Audit risks and results

We identified at the start of the audit a significant financial reporting risk relating to the presumed fraud risk over management override of controls. This risk has been addressed in our audit. We have no significant matters to report to the Finance Committee in respect of this risk.

We also discussed with you some other areas of focus. We have no significant matters to report to the Finance Committee in respect of them.

See pages 5-8



## Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

- Management identifies all accounting estimates and establishes processes for making accounting estimates.
- There are no indicators of management bias as a result of our audit over estimates.
- Disclosure of estimation uncertainty in the financial statements is included in Note 2(c) *Use of estimates*. This note provides information on areas in the financial statements that include estimates.
- Management evaluates these estimates on a regular basis to ensure they are appropriate.



## Significant accounting policies and practices

In F2018 London & Middlesex Community Housing Inc. adopted PS2200 – related party transactions and PS3240 – Inter-entity transactions. Adoption of these accounting standards has been disclosed in the notes to the financial statements.

# Executive summary

## (continued)



### Adjustments and differences

We did not identify differences that remain uncorrected.

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.



### Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.



# Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming there are no related controls. We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan.

## Professional requirements

## Why is it significant?

Fraud risk from management override of controls

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

## Our response and significant findings

We performed the following procedures as noted in our audit planning report:

- Testing of journal entries and other adjustments including performing tests over the opening and ending balance of journal entries, and journal entry completeness
- Performed a retrospective review of estimates and evaluated business rationale of significant unusual transactions

*Audit findings:*

- No significant issues were noted as a result of our procedures.





# Audit risks and results (continued)

We identified other areas of focus for our audit in our discussion with you in the Audit Plan.

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Cash	The dollar value of cash makes this a significant financial reporting caption.
Accounts payable and accrued liabilities	The dollar value of accounts payable and accrued liabilities makes this a significant financial reporting caption.

## Our response and significant findings

We performed the following procedures as noted in our audit planning report:

- Obtained confirmation from third parties to verify cash balances at year-end.
- Reviewed bank reconciliations and performed verification of significant reconciling items.
- Reviewed financial statement disclosure.

*Audit findings:*

No significant issues were noted as a result of our procedures.

We performed the following procedures as noted in our audit planning report:

- Updated our understanding of activities over the initiation, authorization, processing, recording and reporting of accounts payable and accrued liabilities.
- Performed a search for unrecorded liabilities.

*Audit findings:*

No significant issues were noted as a result of our procedures.





# Audit risks and results (continued)

## Other area of focus

## Why are we focusing here?

Tangible capital assets

The dollar value of tangible capital assets makes this a significant financial reporting caption

## Our response and significant findings

We performed the following procedures as noted in our audit planning report:

- Updated our understanding of activities over the initiation, authorization, processing, recording and reporting of tangible capital assets.
- Vouched a selection of additions and disposals throughout the year to supporting documentation.
- Performed a substantive analytical procedure over depreciation expense.
- Obtained details of repairs and maintenance expenses recorded during the year. Vouched a selection of expenses to supporting documentation. For the items selected for testing, obtained an understanding of the nature of the expense to gain assurance that it was not capital in nature.
- Obtained management's assessment of the impact of the Contaminated Sites standard (PS 3260) and reviewed the impact to the financial statements.

*Audit findings:*

No significant issues were noted as a result of our procedures.



# Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with London & Middlesex Community Housing Inc.'s relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

## Form, arrangement, and content of the financial statements

The form, arrangement, and content of the financial statements is adequate.

# Adjustments and differences

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Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the Finance Committee that all identified adjustments or differences be corrected. We have already made this request of management.

## Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

## Uncorrected differences

We did not identify differences that remain uncorrected.

# Appendices



**Appendix 1: Required communications**



**Appendix 2: Management representation letter**



**Appendix 3: Audit Quality and Risk Management**



**Appendix 4: Cyber in the external audit**



# Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit.

These include:



## Auditors' Report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements. The auditors' report has changed in 2018. Please refer to the draft audited financial statements to see the changes.



## Management representation letter

In accordance with professional standards, copies of the management representation letter are provided to the Finance Committee. The management representation letter is attached. See Appendix 2.

# Appendix 2: Management representation letter

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

Date

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 Community Housing Inc. ("the Entity") as at and for the period ended December 31, 2018

*General:*

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 also 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:

*Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 15, 2016, including 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 information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the 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. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.
  - d) providing you with complete responses to all enquiries made by you during the engagement.
  - e) providing you with additional information that you may request from us for the purpose of the engagement.

- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

*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 we are 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 that involves:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the 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.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

*Estimates:*

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

*Going concern:*

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

*Non-SEC registrants or non-reporting issuers:*

- 11) 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.

Yours very truly,

---

Jody Cuyllle, Director of Finance & CFO

## ***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 public sector accounting standards, *related party* is defined as:

- When one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with Canadian public sector accounting standards, 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. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. 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.

# Appendix 3: Audit Quality and Risk Management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our most recent [Audit Quality Report](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



We do not offer services that would impair our independence.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.



# Appendix 4: Cyber in the external audit



# Cyber Security

## Services for External Audit

2019

As your External Auditors, we are able to leverage our insight and knowledge of your business, to provide you with access to a selection of our award winning Cyber Security Services.

What Forrester Research says about KPMG's Cyber Security services?

*"KPMG has the clearest, most direct vision. KPMG asserts its desire to help CISOs and boards of directors come together on information security as a business issue, not an IT issue. The company's go-to-market approach leads with vertical expertise, while it is also applying investments across global member firms in areas like data analytics to cyber security engagements."*

In these days of incidents and breaches regularly making news headlines, Cyber Security, and the steps you take to protect your data and systems, can have a huge impact on your organization. How you then respond, if or when you do have an incident, is also key. How prepared do you think your organization is?

### What's on your mind?

Our discussions with our external audit clients tell us some of the most common questions they ask in relation to Cyber Security are:

- **Are we doing enough** to protect ourselves and reduce our Cyber risk to an acceptable level?
- **Are our systems secure enough?**
- **How do we compare** to the rest of our industry, in terms of our investment in Cyber Security and our level of protection?

**How can we demonstrate to our customers, clients, and other stakeholders that we take security seriously?**

- **We have a limited budget**, how we can be sure we are investing in the right areas to reduce our risks?
- **How would we respond** if we had a serious incident that impacted our ability to do business or serve our customers?

### How we can help turn risk to advantage?

Our permissible<sup>1</sup> Cyber Security services for External Audit clients can help you to answer the concerns listed above. These include:

#### Independent Cyber Security Reviews and Certification Audits

A formal certification is a key way to demonstrate to your customers or clients that you are taking security seriously. Going through the process can also drive improvements in security across your organization, by embedding processes and policies, and raising overall awareness.

We are able to perform formal Certification Audits to international standards such as the Information Security Management System standard (ISO27001) and Business Continuity Management (ISO22301). We can also perform Privacy by Design assessments which enable you to show that privacy is embedded into your organization and processes.

<sup>1</sup> The scope of our services may be subject to certain limitations in order to maintain our independence as your external auditors; as such, permissibility shall be ultimately evaluated based on the relevant facts and circumstances on a case-by-case basis.

## Cyber Maturity Assessment (CMA)

Our CMA service helps you to understand your key cyber risks and your cyber security position relative to industry standards, providing observations for how you can improve.

Potential benefits to you:

- Greater visibility into your Cyber risk landscape and organizational Cyber capabilities.
- A comparison of your relative position compared to your industry competitors, whether you are behind, ahead or within 'the pack'.



Source: KPMG in Canada

## Business Resilience Reviews

If you need to test or demonstrate resilience in the face of Cyber attacks, data breaches, unplanned IT or telecom outages, loss of talent/skills, adverse environmental conditions, and other challenges. KPMG can deliver tabletop scenario tests of DR, crisis response and Business Continuity to audit clients.

This will help to increase your understanding of what matters most to the business and how prepared you are to protect it.

It will identify resiliency risks and recommended actions to become more resilient.

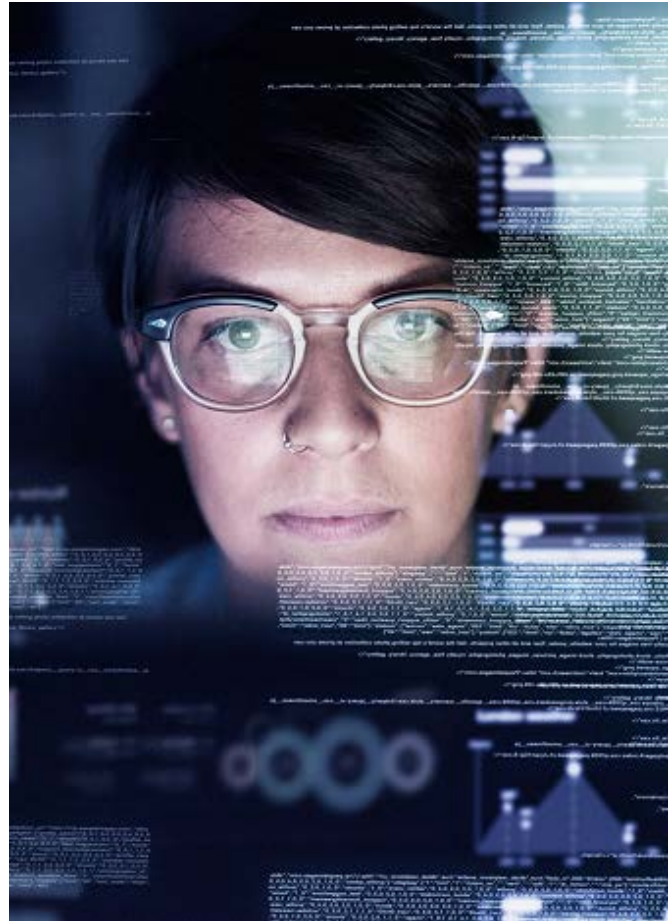
## RedTeaming and Ethical Hacking Services

This service provides the opportunity to 'simulate an attack' on your systems. We are then able to identify potential weaknesses so you can better understand the effectiveness of your monitoring and detection capabilities, and then take steps to improve your defences.

## Incident Response Assessments and Simulations

If you have concerns over your ability to react to an incident, which could impact how you are able to recover data, or investigate potential breaches and deal with negative publicity. We can provide an in-depth review of your readiness against a cyber-attack and the potential consequences.

We can also help with Cyber incident response tabletop exercises, to validate how you are able to execute your response plans.



## Contact us

If any of these potential issues and our services resonate with you, don't hesitate to contact your KPMG External Audit contact or our Regions East Cyber Security leaders below:



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