

Financial Statements of

**HOUSING DEVELOPMENT CORPORATION,  
LONDON**

And Independent Auditors' Report thereon

December 31, 2020



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder of Housing Development Corporation, London

### ***Opinion***

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

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "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 3, 2021

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Statement of Financial Position**  
**December 31, 2020, with comparative information for 2019**

	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>		
Due from the Corporation of the City of London (note 3)	<b>\$ 6,955,352</b>	\$ 6,773,746
Trade and other receivables	<b>170,290</b>	75,895
Loan receivable	<b>220,558</b>	214,205
<b>Total financial assets</b>	<b>7,346,200</b>	7,063,846
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	<b>331,199</b>	105,318
Deferred revenue	<b>7,961</b>	10,250
<b>Total financial liabilities</b>	<b>339,160</b>	115,568
<b>Net assets</b>	<b>7,007,040</b>	6,948,278
<b>Non-financial assets</b>		
Tangible capital assets (note 4)	<b>2,735,914</b>	439,368
Prepaid expenses	<b>7,847</b>	7,783
<b>Total non-financial assets</b>	<b>2,743,761</b>	447,151
<b>Accumulated surplus (note 5)</b>	<b>\$ 9,750,801</b>	\$ 7,395,429

Commitments (note 9)  
Subsequent event (note 11)

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

**HOUSING DEVELOPMENT CORPORATION, LONDON**

**Statement of Operations**

**Year ended December 31, 2020, with comparative information for 2019**

	<b>Budget</b>	<b>2020</b>	<b>2019</b>
	(note 8)		
<b>Revenues</b>			
Transfer payments			
Municipal - the Corporation of the City of London (note 3)	\$ 3,289,987	\$ <b>3,249,118</b>	\$ 2,788,931
Federal	2,000	<b>93,764</b>	31,389
Interest income	166,201	<b>166,201</b>	183,800
<b>Total revenues</b>	<b>3,458,188</b>	<b>3,509,083</b>	3,004,120
<b>Expenses</b>			
Salaries, wages and fringe benefits	681,937	<b>659,559</b>	688,758
Materials and supplies	69,020	<b>55,034</b>	57,905
Contracted services	54,030	<b>84,843</b>	81,087
Office rental expense	30,000	<b>25,824</b>	33,726
External transfers	-	<b>283,660</b>	2,957,092
Amortization of tangible capital assets (note 4)	44,791	<b>44,791</b>	44,791
<b>Total expenses</b>	<b>879,778</b>	<b>1,153,711</b>	3,863,359
<b>Annual surplus (deficit)</b>	<b>2,578,410</b>	<b>2,355,372</b>	(859,239)
<b>Accumulated surplus, beginning of year (note 5)</b>	<b>7,395,429</b>	<b>7,395,429</b>	8,254,668
<b>Accumulated surplus, end of year (note 5)</b>	<b>\$ 9,973,839</b>	<b>\$ 9,750,801</b>	\$ 7,395,429

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

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Statement of Change in Net Financial Assets**  
**Year ended December 31, 2020, with comparative information for 2019**

	<b>Budget</b>	<b>2020</b>	<b>2019</b>
Annual surplus (deficit)	\$ 2,578,410	\$ <b>2,355,372</b>	\$ (859,239)
Acquisition of tangible capital assets	(2,341,337)	<b>(2,341,337)</b>	(32,615)
Amortization of tangible capital assets	44,791	<b>44,791</b>	44,791
	281,864	<b>58,826</b>	(847,063)
Change in prepaid expenses	-	<b>(64)</b>	(2,117)
<b>Change in net financial assets (debt)</b>	281,864	<b>58,762</b>	(849,180)
<b>Net financial assets, beginning of year</b>	6,948,278	<b>6,948,278</b>	7,797,458
<b>Net financial assets, end of year</b>	\$ 7,230,142	\$ <b>7,007,040</b>	\$ 6,948,278

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

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Statement of Cash Flows**  
**Year ended December 31, 2020, with comparative information for 2019**

	2020	2019
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	\$ 2,355,372	\$ (859,239)
<b>Items not involving cash</b>		
Amortization of tangible capital assets	44,791	44,791
<b>Change in non-cash assets and liabilities</b>		
Due from the Corporation of the City of London	(181,606)	1,103,958
Prepaid expenses	(64)	(2,117)
Trade and other receivables	(94,395)	(17,291)
Loans receivable	(6,353)	(214,205)
Accounts payable and accrued liabilities	225,881	(30,532)
Deferred revenue	(2,289)	7,250
<b>Net change in cash from operating activities</b>	<b>2,341,337</b>	<b>32,615</b>
<b>Capital activities</b>		
Purchase of tangible capital assets	(2,341,337)	(32,615)
<b>Net change in cash from capital activities</b>	<b>(2,341,337)</b>	<b>(32,615)</b>
<b>Net change in cash flows and cash, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

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



**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements**  
**Year ended December 31, 2020**

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**1. Nature of Reporting Entity**

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

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

**2. Significant Accounting Policies**

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

Significant accounting policies are as follows:

**(a) Basis of Accounting**

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

**(b) Tangible Capital Assets**

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

<b>Asset</b>	<b>Useful Life - Years</b>
Leasehold improvements	Lease term
Office equipment and furniture	5

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

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

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

**2. Significant Accounting Policies (continued)**

**(c) Government Transfers**

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

**(d) Use of Estimates**

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

Actual results could differ from those estimates.

**(e) Budget Figures**

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

**(f) Liability for Contaminated Sites**

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

**2. Significant Accounting Policies (continued)**

**(g) Related Party Disclosures**

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

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

**(h) Inter-entity Transactions**

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

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

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements (continued)**  
**Year ended December 31, 2020**

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**3. Related Party Transactions**

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

In accordance with the City of London Council's direction of September 2, 2014, the Corporation has been extended shared services support from the City. The City's support services include information technology, risk management, facility, finance, payroll, purchasing, legal and other administrative services to ensure operational efficiency. The Corporation has also entered into an agreement with the City under which the Corporation reimburses the City for salaries and fringe benefits for employees that provide services on behalf of the Corporation. The Corporation incurred charges of **\$193,017** (2019 - \$240,130) for these services and this expense has been included in the Statement of Operations.

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

- Operating budget appropriation revenue of **\$342,987** (2019 - \$292,275)
- Annual contribution to the affordable housing reserve fund of **\$2,500,000** (2019 - \$2,000,000)
- Administrative fee revenue of **\$406,131** (2019 - \$496,656)
- Municipal funding contribution of **\$nil** (2019 - \$nil) for land acquisition. On May 30, 2017, the City of London Council passed a resolution to transfer lands from City of London ownership to the Corporation for affordable housing purposes. The transaction was completed during 2018 and recorded as a tangible capital asset addition by the Corporation, noting that the lands were transferred at their net book values, as follows:

	<b>Net Book Value</b>	<b>Market Value</b>
403 Thompson Road, London	\$ 160,000	\$ 250,000
122 Baseline Road West, London	95,401	490,000
	<b>\$ 255,401</b>	<b>\$ 740,000</b>

The City Council resolution stipulates that the transfer will be subject to a 10-year reversion clause should the lands not be sold or developed by the Corporation.

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements (continued)**  
**Year ended December 31, 2020**

**4. Tangible Capital Assets**

<b>Cost</b>	<b>Balance at December 31, 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at December 31, 2020</b>
Land	\$ 297,930	\$ 2,341,337	\$ -	\$ 2,639,267
Leasehold improvements	218,431	-	-	218,431
Office equipment and furniture	5,525	-	-	5,525
<b>Total</b>	<b>\$ 521,886</b>	<b>\$ 2,341,337</b>	<b>\$ -</b>	<b>\$ 2,863,223</b>

<b>Accumulated Amortization</b>	<b>Balance at December 31, 2019</b>	<b>Amortization Expense</b>	<b>Amortization Disposals</b>	<b>Balance at December 31, 2020</b>
Land	\$ -	\$ -	\$ -	\$ -
Leasehold improvements	80,091	43,686	-	123,777
Office equipment and furniture	2,427	1,105	-	3,532
<b>Total</b>	<b>\$ 82,518</b>	<b>\$ 44,791</b>	<b>\$ -</b>	<b>\$ 127,309</b>

	<b>Net Book Value December 31, 2019</b>	<b>Net Book Value December 31, 2020</b>
Land	\$ 297,930	\$ 2,639,267
Leasehold improvements	138,340	94,654
Office equipment and furniture	3,098	1,993
<b>Total</b>	<b>\$ 439,368</b>	<b>\$ 2,735,914</b>

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements (continued)**  
**Year ended December 31, 2020**

**5. Accumulated Surplus**

Accumulated surplus consists of the following:

	<b>2020</b>	<b>2019</b>
<b>Surplus</b>		
Invested in tangible capital assets	\$ 2,735,914	\$ 439,368
Capital deficit	(132,358)	-
<b>Total surplus</b>	<b>2,603,556</b>	<b>439,368</b>
<b>Reserve funds set aside for specific purpose by the Board</b>		
Future affordable housing (note 6)	7,147,145	6,955,961
<b>Share capital</b>		
100 Class A common shares (note 7)	100	100
	<b>\$ 9,750,801</b>	<b>\$ 7,395,429</b>

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements (continued)**  
**Year ended December 31, 2020**

**6. Analysis of Reserve Fund**

	<b>2020</b>	<b>2019</b>
<b>Reserve fund for future affordable housing:</b>		
Balance, beginning of year	\$ 6,955,961	\$ 7,803,024
Interest earned	166,201	183,800
Contributions from current operations:		
Annual	2,500,000	2,000,000
Current year (deficit) surplus	-	(32,578)
Transfers to current operations	(283,660)	(2,957,092)
Transfers to capital operations:		
Development of land for future use	(2,191,357)	(41,193)
<b>Balance, end of year</b>	<b>\$ 7,147,145</b>	<b>\$ 6,955,961</b>

	<b>2020</b>	<b>2019</b>
<b>Comprised of:</b>		
Contributions from the City of London, stipulated for use in future affordable housing projects	\$ 6,846,658	\$ 6,655,474
Accumulated operating surpluses held for future administration expenses	300,487	300,487
<b>Balance, end of year</b>	<b>\$ 7,147,145</b>	<b>\$ 6,955,961</b>

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements (continued)**  
**Year ended December 31, 2020**

**7. Share Capital**

	<b>2020</b>	<b>2019</b>
<b>Authorized:</b>		
An unlimited number of Class A common shares		
An unlimited number of Class B common shares		
An unlimited number of Class C common shares		
An unlimited number of non-cumulative, redeemable, voting Class A Special shares		
An unlimited number of non-cumulative, redeemable, voting Class B Special shares		
An unlimited number of non-cumulative, redeemable, voting Class C Special shares		
An unlimited number of non-cumulative, redeemable, voting Class D Special shares		
An unlimited number of non-cumulative, redeemable, voting Class E Special shares		
<b>Issued:</b>		
100 Class A common shares	<b>\$ 100</b>	<b>\$ 100</b>



**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements (continued)**  
**Year ended December 31, 2020**

**8. Budget Data**

Budget data presented in these financial statements are based upon the 2020 operating budget approved by the Board. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. These adjustments include revenues and expenses which were budgeted in the capital budget and amortization. Given that certain budget information is not available in full accrual format, the assumption of using budget adjustments that equal the actual full accrual adjustments was used. These full accrual budget estimates are for financial statement presentation only.

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

	<b>Budget</b>
<b>Revenues</b>	
Municipal revenue – The Corporation of the City of London	\$ 3,290,272
Municipal revenue – Transfers from reserve fund	43,000
Government grants	2,000
<b>Total Revenues</b>	<b>3,335,272</b>
<b>Expenses</b>	
Personnel costs	475,492
Administrative expenses	46,040
Financial expense - Transfers to reserve fund	2,500,000
Purchased services	103,875
Materials and supplies	11,220
Furniture and equipment	15,000
Recovered expenses	183,645
<b>Total expenses</b>	<b>3,335,272</b>
<b>Net surplus as per approved budget</b>	<b>-</b>
<b>PSAB reporting requirements and Budget adjustments:</b>	
Decrease in transfers to (from) reserve fund	2,457,000
Increase in amortization	(44,791)
Increase in interest income - reserve fund	166,201
<b>Net PSAB budget surplus as per financial statements</b>	<b>\$ 2,578,410</b>

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
**Notes to Financial Statements (continued)**  
**Year ended December 31, 2020**

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**9. Commitments**

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

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

As at December 31, 2020, the Corporation has outstanding commitments remaining on these agreements of **\$255,531** (2019 - \$221,588).

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

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2021	\$	23,250
2022		23,875
2023		4,000
<b>Total</b>	<b>\$</b>	<b>51,125</b>

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**10. Impact of COVID-19 Pandemic**

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Corporation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Office closure to the public from March 18, 2020 to the date of the auditors' report based on public health recommendations
- Working from home requirements for those able to do so

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Corporation's operations and financial position is not known at this time, although to date the impact has not been significant. These impacts could include a decline in future cash flows and changes to the value of assets and liabilities. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the future financial effect of the pandemic on the Corporation is not practicable at this time.

**11. Subsequent Event**

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