

Financial Statements of

**LONDON & MIDDLESEX
COMMUNITY HOUSING
Inc.**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
140 Fullarton Street, Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
Fax 519 672-5684

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, 2020
- 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, 2020, and its results of operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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



Page 2

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.



Page 3

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 20, 2021

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Financial Position

As at December 31, 2020 with comparative information for 2019

	2020	2019
Financial Assets:		
Cash	\$ 1,755,302	\$ -
Accounts receivable (note 3)	1,286,192	1,532,963
Due from The Corporation of the City of London	693,761	2,906,199
	<u>3,735,255</u>	<u>4,439,162</u>
Financial Liabilities:		
Cheques issued in excess of funds on deposit	-	99,637
Accounts payable and accrued liabilities	3,551,271	4,059,641
Tenant advances	809,468	741,071
Unearned miscellaneous revenue	70,382	48,397
	<u>4,431,121</u>	<u>4,948,746</u>
Net debt	(695,866)	(509,584)
Non-Financial Assets:		
Tangible capital assets (note 7)	61,962,783	58,878,638
Prepaid expenses	695,866	509,584
	<u>62,658,649</u>	<u>59,388,222</u>
Commitments (note 5)		
Impact of COVID-19 pandemic (note 10)		
Contingencies (note 11)		
Accumulated surplus (note 9)	\$ 61,962,783	\$ 58,878,638

See accompanying notes to financial statements

On behalf of the Board:

Director

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Operations

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

	Budget	2020	2019
Revenue:			
Rental revenue	\$ 11,870,303	\$ 12,364,052	\$ 11,870,011
The Corporation of the City of London:			
Rental subsidy	11,195,047	\$ 11,195,047	10,698,018
Funding adjustment	-	(629,910)	363,231
Business Case 19	1,194,000	1,194,000	-
Capital funding	-	5,514,382	6,664,904
Other	277,044	325,127	340,231
	<u>24,536,394</u>	<u>29,962,698</u>	<u>29,936,395</u>
Expenses:			
Salaries, wages and employee benefits	6,737,397	5,974,889	5,576,501
Maintenance, materials and services:			
Building, general	3,833,051	5,123,475	4,590,332
Grounds	1,087,445	1,070,619	978,474
Painting	225,040	335,828	280,483
Other	167,957	96,666	164,541
	<u>5,313,493</u>	<u>6,626,588</u>	<u>6,013,830</u>
Utilities:			
Electricity	1,987,311	1,696,433	1,951,090
Water	1,274,563	1,378,339	1,237,439
Natural gas	851,156	945,950	837,752
	<u>4,113,030</u>	<u>4,020,722</u>	<u>4,026,281</u>
Amortization	-	2,243,494	1,930,562
Property :			
Municipal taxes	5,016,000	5,022,251	5,023,084
Insurance	803,160	702,332	647,776
Mortgage payments	46,872	35,907	46,475
	<u>5,866,032</u>	<u>5,760,490</u>	<u>5,717,335</u>
Administration	2,506,442	2,252,370	2,075,120
Total expenses	<u>24,536,394</u>	<u>26,878,553</u>	<u>25,339,629</u>
Annual surplus	-	3,084,145	4,596,766
Accumulated surplus, beginning of year	58,878,638	58,878,638	54,281,872
Accumulated surplus, end of year	<u>\$ 58,878,638</u>	<u>\$ 61,962,783</u>	<u>\$ 58,878,638</u>

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Changes in Net Debt

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

	Budget	2020	2019
Annual surplus	\$ -	\$ 3,084,145	\$ 4,596,766
Acquisition of tangible capital assets	-	(5,327,640)	(6,527,328)
Amortization of tangible capital assets	-	2,243,494	1,930,562
	-	(3,084,146)	(4,596,766)
Acquisition of prepaid expenses	-	(6,700,076)	(6,606,627)
Use of prepaid expenses	-	6,513,795	6,600,844
Change in net debt	-	(186,282)	(5,783)
Net debt, beginning of year	(509,584)	(509,584)	(503,801)
Net debt, end of year	\$ (509,584)	\$ (695,866)	\$ (509,584)

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 3,084,145	\$ 4,596,766
Items not involving cash:		
Amortization	2,243,494	1,930,562
Changes in non-cash items:		
Accounts receivable	246,771	(618,224)
Prepaid expenses	(186,282)	(5,783)
Due from The Corporation of the City of London	2,212,438	(2,166,137)
Accounts payable and accrued liabilities	(508,369)	1,097,036
Tenant advances	68,397	91,825
Unearned miscellaneous revenue	21,985	(19,275)
	<u>7,182,579</u>	<u>4,906,770</u>
Capital Activities		
Acquisition of tangible capital assets	(5,327,640)	(6,527,328)
Net increase (decrease) in cash	1,854,939	(1,620,558)
Cash (bank indebtedness), beginning of year	(99,637)	1,520,921
Cash (bank indebtedness), end of year	<u>\$ 1,755,302</u>	<u>\$ (99,637)</u>

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

1. Incorporation:

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

2. Significant accounting policies:

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

(a) Tangible Capital Assets:

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

Assets	Useful Life-Years
Site improvements	25 - 30
Buildings and improvements	25 - 40
Technology and communications	3
Vehicles	10
Furniture and fixtures	10
Machinery and equipment	25
Appliances	10

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

- ii) Contributions of Capital Assets:

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

(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.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(c) Use of estimates:

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

(d) Budget data:

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

(e) Pension contributions:

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

(f) Contaminated sites:

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

3. Accounts receivable:

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

	2020	2019
Rent	\$ 902,424	\$ 823,537
Allowance for doubtful accounts	(411,283)	(464,295)
Harmonized Sales Tax	429,554	566,076
Sundry	365,497	607,645
	\$ 1,286,192	\$ 1,532,963

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

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 \$35,907 was expensed and paid in 2020 (2019 - \$46,475). 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:

2021	\$	587,387
2022	\$	596,259
2023	\$	596,259
2024	\$	596,259
2025	\$	586,108

6. Pension Agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. In 2020 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 \$385,370 was incurred as pension expense in 2020 (2019 - \$370,803).

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$113.1 billion (2019 - \$107.7 billion) and actuarial assets for \$109.8 billion (2019 - \$104.3 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

7. Tangible capital assets:

Cost	Balance at December 31, 2019	2020 Additions	2020 Disposals	Balance at December 31, 2020
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,433,364	144,063	-	3,577,427
Buildings and improvements	93,962,582	4,541,386	10,987	98,492,981
Technology and communications	1,184,341	447,372	44,800	1,586,913
Vehicles	48,297	-	-	48,297
Furniture and fixtures	230,017	39,649	-	269,666
Machinery and equipment	3,506,546	15,849	-	3,522,396
Appliances	2,130,567	139,321	-	2,269,889
TOTAL	\$ 129,101,466	\$ 5,327,640	\$ 55,787	\$ 134,373,318

Accumulated Amortization	Balance at December 31, 2019	2020 Disposals	2020 Amortization	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,821,479	-	78,021	1,899,500
Buildings and improvements	64,155,125	10,987	1,659,500	65,803,638
Technology and communications	728,665	44,800	291,208	975,073
Vehicles	36,223	-	4,830	41,053
Furniture and fixtures	121,514	-	24,620	146,134
Machinery and equipment	1,680,062	-	109,548	1,789,610
Appliances	1,679,759	-	75,767	1,755,526
TOTAL	\$ 70,222,827	\$ 55,787	\$ 2,243,494	\$ 72,410,534

	Net Book Value At December 31, 2019	Net Book Value At December 31, 2020
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,611,884	1,677,926
Buildings and improvements	29,807,457	32,689,343
Technology and communications	455,676	611,840
Vehicles	12,074	7,244
Furniture and fixtures	108,503	123,531
Machinery and equipment	1,826,484	1,732,785
Appliances	450,809	514,363
TOTAL	\$ 58,878,638	\$ 61,962,783

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

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 the financial statements.

	2020	2019
Opening balance	\$ 2,110,656	\$ 2,979,582
Contributions during the year	8,919,500	2,708,000
Capital expenditures	(2,614,700)	(3,576,926)
	\$ 8,415,456	\$ 2,110,656

9. Accumulated Surplus:

Accumulated surplus consists of surplus funds as follows:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 61,962,783	\$ 58,878,638

10. Impact of COVID-19 Pandemic:

During the year, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Administration building and community facilities remained closed from March 17, 2020 to the date of the auditors' report based on provincial public health recommendations
- On-site programs have been shut down
- Reduced rotational staff schedule put in place

Management has assessed the financial impacts and has concluded that no further adjustments to the consolidated financial statements are required as a result. The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Entity's operations and financial position is not known at this time. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the financial effect of the pandemic on the Entity is not practicable at this time.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

11. Contingencies:

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