

Financial Statements of

**LONDON & MIDDLESEX HOUSING
CORPORATION**

Year ended December 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London & Middlesex Housing Corporation

We have audited the accompanying financial statements of London & Middlesex Housing Corporation, which comprise the statement of financial position as at December 31, 2012, the statements of operations, change in net financial debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of London & Middlesex Housing Corporation as at December 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

May 7, 2013

London, Canada

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LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Financial Position

As at December 31, 2012 with comparative figures for 2011

	2012	2011
Financial Assets:		
Cash	\$ 2,159,721	\$ 1,413,673
Accounts receivable (note 3)	406,647	778,672
Due from The City of London	232,657	121,177
	<u>2,799,025</u>	<u>2,313,522</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	2,193,484	2,289,300
Deferred revenue	481,200	-
Tenants advances	416,115	307,143
Unearned miscellaneous revenue	55,434	54,747
	<u>3,146,233</u>	<u>2,651,190</u>
Net debt	(347,208)	(337,668)
Non-financial Assets:		
Tangible capital assets (note 7)	47,194,887	46,321,124
Prepaid expenses	347,208	337,668
	<u>47,542,095</u>	<u>46,658,792</u>
Commitments (note 5)		
Accumulated surplus (note 8)	\$ 47,194,887	\$46,321,124

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Operations

Year ended December 31, 2012, with comparative figures for 2011

	Budget (unaudited)	2012	2011
Revenue:			
Rental revenue	\$ 9,371,000	\$ 9,646,830	\$ 9,487,473
Rental subsidy	8,500,432	8,500,834	7,903,898
The City of London funding adjustment	-	(493,612)	(339,540)
Rent supplement subsidy surplus	34,100	30,512	29,963
Capital funding (note 9)	-	1,947,678	6,247,824
Other	225,000	230,427	211,745
Total revenue	18,130,532	19,862,669	23,541,363
Expenses:			
Salaries, wages and employee benefits	4,196,032	4,191,774	3,883,618
Maintenance, materials and services:			
Building, general	2,596,940	2,819,638	2,793,680
Grounds	1,038,000	922,889	1,072,681
Painting	367,500	363,991	290,549
Other	191,800	154,101	140,793
	4,194,240	4,260,619	4,297,703
Utilities:			
Electricity	1,971,260	1,696,231	1,629,685
Water	891,000	864,673	840,982
Natural gas	1,348,900	1,082,651	1,396,713
	4,211,160	3,643,555	3,867,380
Amortization	-	1,277,713	1,234,358
Property:			
Insurance	403,500	415,537	362,644
Municipal taxes	4,097,900	4,120,219	4,013,668
Mortgage payments	48,400	48,408	48,406
	4,549,800	4,584,164	4,424,718
Administration	979,300	1,031,081	944,789
Total expenses	18,130,532	18,988,906	18,652,566
Annual surplus	\$ -	873,763	4,888,797
Accumulated surplus, beginning of year		46,321,124	41,432,327
Accumulated surplus, end of year		\$ 47,194,887	\$ 46,321,124

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Annual surplus	\$ 873,763	\$ 4,888,797
Acquisition of tangible capital assets	(2,160,011)	(6,123,155)
Loss on disposal of tangible capital assets	8,535	-
Amortization of tangible capital assets	1,277,713	1,234,358
	(873,763)	(4,888,797)
Acquisition of prepaid expenses	(5,005,213)	(4,930,735)
Use of prepaid expenses	4,995,673	4,862,329
Change in net financial debt	(9,540)	(68,406)
Net debt, beginning of year	(337,668)	(269,262)
Debt, end of year	\$ (347,208)	\$ (337,668)

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Cash Flows

December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 873,763	\$ 4,888,797
Items not involving cash:		
Amortization	1,277,713	1,234,358
Loss on disposal of tangible capital assets	8,535	-
Changes in non-cash items:		
WSIB future benefit liability	-	(14,947)
Accounts receivable	372,025	(128,083)
Prepaid expenses	(9,540)	(68,406)
Due from The City of London	(111,480)	222,324
Accounts payable and accrued liabilities	(95,815)	(730,208)
Tenant advances	108,972	117,517
Unearned miscellaneous revenue	686	9,601
Deferred revenue	481,200	-
	2,906,059	5,530,953
Capital activities:		
Cash used to acquire tangible capital assets	(2,160,011)	(6,123,155)
Increase (decrease) in cash	746,048	(592,202)
Cash, beginning of year	1,413,673	2,005,875
Cash, end of year	\$ 2,159,721	\$ 1,413,673

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements

December 31, 2012

1. Incorporation:

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

2. Significant accounting policies:

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

(a) Tangible capital assets:

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

Asset	Useful life-years
Site improvements	20-35
Buildings and improvements	15-40
Technology and communications	3
Vehicles	10
Furniture and fixtures	10
Machinery and equipment	25
Appliances	10

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

(ii) Contributions of capital assets:

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

(b) Revenue recognition:

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

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2012

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 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.

3. Accounts receivable:

	2012	2011
Rent	\$ 150,854	\$ 146,268
Harmonized sales tax	203,791	576,294
Sundry	52,002	56,110
	\$ 406,647	\$ 778,672

4. Income producing properties:

The income producing properties held by London & Middlesex Housing Authority and passed through to the Corporation were originally financed by the Province of Ontario through general obligation provincial debentures. At the time of the transfer of ownership the Province did not transfer the responsibility for repayment of these debentures. Accordingly, the value of the provincial debentures associated with them have not been recorded on the Corporation's financial statements

5. Commitments:

(a) Debt service payment:

The Corporation is responsible for the debt service payments on one of its properties located on Bella Street in Strathroy, Ontario. These payments of both principal and interest are made directly to the mortgagee and are expensed when incurred. A total of \$48,408 was expensed and paid in 2012 (2011 - \$48,405). 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.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2012

5. Commitments (continued):

(b) Contractual obligations:

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

2013	\$	208,616
2014		208,164
2015		204,976
2016		102,488
2017		-

6. Pension agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The 2012 contribution rates are 8.3% for employee earnings below the year's maximum pensionable earnings and 12.8% 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 \$250,694 was incurred as pension expense in 2012 (2011 - \$215,247).

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2012

7. Tangible capital assets:

Cost	Balance at December 31, 2011	2012 Additions	2012 Disposals	Balance at December 31, 2012
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	2,942,708	165,097	-	3,107,805
Buildings and improvements	72,568,977	1,642,928	-	74,211,905
Technology and communications	533,311	175,134	(157,607)	550,838
Vehicles	34,600	48,297	(34,600)	48,297
Furniture and fixtures	172,318	45,949	(40,281)	177,986
Machinery and equipment	2,618,072	25,152	-	2,643,224
Appliances	1,475,003	57,454	-	1,532,457
Total	\$ 104,950,740	\$ 2,160,011	\$ (232,488)	\$ 106,878,263

Accumulated amortization	Balance at December 31, 2011	2012 Disposals	2012 Amortization	Balance at December 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,319,707	-	62,328	1,382,035
Buildings and improvements	54,943,124	-	860,169	55,803,293
Technology and communications	314,636	(156,402)	146,695	304,929
Vehicles	25,630	(27,360)	4,145	2,415
Furniture and fixtures	151,962	(40,191)	7,260	119,031
Machinery and equipment	960,402	-	74,195	1,034,597
Appliances	914,155	-	122,921	1,037,076
Total	\$ 58,629,616	\$ (223,953)	\$ 1,277,713	\$ 59,683,376

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2012

7. Tangible capital assets (continued):

	Net book value at December 31, 2011	Net book value at December 31, 2012
Land	\$ 24,605,752	\$ 24,605,751
Site improvements	1,623,002	1,725,771
Buildings and improvements	17,625,853	18,408,613
Technology and communications	218,674	245,908
Vehicles	8,970	45,882
Furniture and fixtures	20,355	58,955
Machinery and equipment	1,657,671	1,608,628
Appliances	560,847	495,379
	<u>\$ 46,321,124</u>	<u>\$ 47,194,887</u>

8. Accumulated surplus:

Accumulated surplus consists of surplus funds as follows:

	2012	2011
Surplus:		
Invested in tangible capital assets	\$ 47,194,887	\$ 46,321,124

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2012

9. Social Housing Renovation and Retrofit Program ("SHRRP") Funding:

As a result of an investment by the Ontario and Federal governments, several London & Middlesex Housing Corporation projects have been funded under SHRRP. The following is a schedule of the approved eligible project expenditures funded in 2012 under SHRRP:

Project #	Amount
2011-0032	\$ 78,437
2012-0037	5,059
2012-0038	1,886
2012-0039	44,140
Total	\$ 129,522