

Financial Statements of

**LONDON & MIDDLESEX
COMMUNITY HOUSING INC.**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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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, 2021
- 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, 2021, 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.



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.



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- 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

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 24, 2022

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

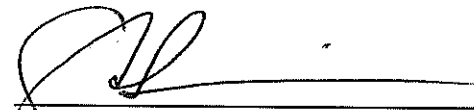
Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash	\$ 2,924,769	\$ 1,755,302
Accounts receivable (note 3)	1,040,638	1,286,192
Due from The Corporation of the City of London	994,867	693,761
	<u>4,960,274</u>	<u>3,735,255</u>
Financial Liabilities		
Accounts payable and accrued liabilities	4,388,588	3,551,271
Tenant advances	867,371	809,468
Unearned miscellaneous revenue	61,686	70,382
CMHC loan (note 8)	59,267	-
	<u>5,376,912</u>	<u>4,431,121</u>
Net debt	(416,638)	(695,866)
Non-Financial Assets		
Tangible capital assets (note 7)	62,391,137	61,962,783
Prepaid expenses	806,814	695,866
	<u>63,197,951</u>	<u>62,658,649</u>
Commitments (note 5)		
Contingencies (note 11)		
Accumulated surplus (note 10)	\$ 62,781,313	\$ 61,962,783

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget	2021 Actual	2020 Actual
Revenue:			
Rental revenue	\$ 12,228,555	\$ 12,217,135	\$ 12,364,052
The Corporation of the City of London:			
Rental subsidy	11,690,441	11,690,441	11,195,047
Funding adjustment	-	(158,265)	(629,910)
Business Case 19	1,494,000	1,494,000	1,194,000
Capital funding	-	2,866,758	5,463,825
Business Case 18 Co-investment funding	-	449,442	50,557
CMHC revenue	-	37,891	-
Energy savings project rebates	-	306,796	-
Other	270,281	391,418	325,127
	25,683,277	29,295,616	29,962,698
Expenses:			
Salaries, wages and employee benefits	6,793,346	6,367,014	5,974,889
Maintenance, materials and services:			
Building, general	4,636,841	5,560,180	5,123,475
Grounds	1,309,000	1,306,839	1,070,619
Painting	372,000	351,828	335,828
Other	176,680	121,975	96,666
	6,494,521	7,340,822	6,626,588
Utilities:			
Electricity	1,985,653	1,938,019	1,696,433
Water	1,405,906	1,392,732	1,378,339
Natural gas	964,869	942,303	945,950
	4,356,428	4,273,054	4,020,722
Amortization	-	2,345,568	2,243,494
Property:			
Municipal taxes	5,127,480	5,117,741	5,022,251
Insurance	805,710	800,296	702,332
Mortgage payments (note 5)	55,652	55,652	35,907
	5,988,842	5,973,689	5,760,490
Administration	2,050,140	2,176,939	2,252,370
Total expenses	25,683,277	28,477,086	26,878,553
Annual surplus	-	818,530	3,084,145
Accumulated surplus, beginning of year	61,962,783	61,962,783	58,878,638
Accumulated surplus, end of year	61,962,783	62,781,313	61,962,783

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Changes in Net Debt

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget	2021 Actual	2020 Actual
Annual surplus	\$ —	\$ 818,530	\$ 3,084,145
Acquisition of tangible capital assets	—	(2,773,922)	(5,327,640)
Amortization of tangible capital assets	—	2,345,568	2,243,494
	—	(428,354)	(3,084,146)
Acquisition of prepaid expenses	—	(7,575,428)	(6,700,076)
Use of prepaid expenses	—	7,464,480	6,513,795
Change in net debt	—	279,228	(186,282)
Net debt, beginning of year	(695,866)	(695,866)	(509,584)
Net debt, end of year	\$ (695,866)	\$ (416,638)	\$ (695,866)

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 818,530	\$ 3,084,145
Items not involving cash:		
Amortization	2,345,568	2,243,494
Changes in non-cash items:		
Accounts receivable	245,554	246,771
Prepaid expenses	(110,949)	(186,282)
Due from The Corporation of the City of London	(301,106)	2,212,438
Accounts payable and accrued liabilities	837,318	(508,369)
Tenant advances	57,903	68,397
Unearned miscellaneous revenue	(8,696)	21,985
	3,884,122	7,182,579
Capital activities:		
Acquisition of tangible capital assets	(2,773,922)	(5,327,640)
Financing activities:		
Issuance of CMHC loan	59,267	—
Net increase in cash	1,169,467	1,854,939
Cash (bank indebtedness), beginning of year	1,755,302	(99,637)
Cash, end of year	\$ 2,924,769	\$ 1,755,302

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements

Year ended December 31, 2021

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:

<u>Asset</u>	<u>Useful Life - Years</u>
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 Financial Statements (continued)

Year ended December 31, 2021

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 consists of the following:

	2021	2020
Rent	\$ 866,432	\$ 902,424
Allowance for doubtful accounts	(433,746)	(411,283)
Harmonized Sales Tax	430,837	429,554
Sundry	177,115	365,497
	<u>\$ 1,040,638</u>	<u>\$ 1,286,192</u>

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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 \$55,652 was expensed and paid in 2021 (2020 - \$35,907). 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

2022	\$	606,562
2023		606,562
2024		606,562
2025		598,235
2026		153,881

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 2021 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 \$442,277 was incurred as pension expense in 2021 (2020 - \$385,370).

The last available report for the OMERS plan was on December 31, 2021. At that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion), based on actuarial liabilities for \$117.7 billion (2020 - \$109.8 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 Financial Statements (continued)

Year ended December 31, 2021

7. Tangible capital assets:

Cost	Balance at December 31, 2020	2021 Additions	2021 Disposals	Balance at December 31, 2021
Land	\$ 24,605,751	\$ —	\$ —	\$ 24,605,751
Site improvements	3,577,427	94,971	—	3,672,398
Buildings and improvements	98,492,981	2,327,925	—	100,820,906
Technology and communications	1,586,913	184,522	45,202	1,726,233
Vehicles	48,297	—	—	48,297
Furniture and fixtures	269,666	22,719	—	292,385
Machinery and equipment	3,522,396	27,409	—	3,549,805
Appliances	2,269,889	116,375	—	2,386,264
Total	\$134,373,320	\$ 2,773,921	\$ 45,202	\$137,102,039

Accumulated amortization	Balance at December 31, 2020	2021 Disposals	2021 Amortization	Balance at December 31, 2021
Land	\$ —	\$ —	\$ —	\$ —
Site improvements	1,899,500	—	81,828	1,981,328
Buildings and improvements	65,803,638	—	1,685,513	67,489,151
Technology and communications	975,073	45,202	351,671	1,281,542
Vehicles	41,053	—	4,829	45,882
Furniture and fixtures	146,134	—	28,429	174,563
Machinery and equipment	1,789,610	—	110,413	1,900,023
Appliances	1,755,526	—	82,885	1,838,411
Total	\$ 72,410,534	\$ 45,202	\$ 2,345,568	\$ 74,710,900

	Net book value December 31, 2020	Net book value December 31, 2021
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,677,926	1,691,069
Buildings and improvements	32,689,343	33,331,755
Technology and communications	611,840	444,691
Vehicles	7,244	2,415
Furniture and fixtures	123,531	117,821
Machinery and equipment	1,732,785	1,649,782
Appliances	514,363	547,853
Total	\$ 61,962,783	\$ 62,391,137

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. CMHC credit agreement:

On November 25, 2021, together with the City of London as a guarantor, LMCH entered into a ten-year credit agreement with Canada Mortgage and Housing Corporation (CMHC) to finance repairs and renewal of designated housing units at thirteen sites owned and operated by LMCH. Under the agreement, LMCH will make quarterly drawdowns up to a maximum of \$40,136,090. First Loan Facility was received on December 9, 2021 with the applicable interest rate for a Repayable Loan of 1.84%. LMCH has an option to extend the term of any of the Repayable Loans for an additional 10 years.

	2021	2020
Opening balance	\$ -	\$ -
Forgivable loan	37,891	-
Repayable loan	59,267	-
	\$ 97,158	\$ -

9. Capital allotment :

	2021	2020
Opening balance	\$ 3,856,956	\$ 2,110,656
Contributions during the year	5,614,000	4,361,000
Capital expenditures	(3,162,046)	(2,614,700)
	\$ 6,308,910	\$ 3,856,956

10. Accumulated surplus:

	2021	2020
Surplus:		
Business Case 18 Co-investment Funding	\$ 390,176	\$ -
Invested in tangible capital assets	62,391,137	61,962,783
	\$ 62,781,313	\$ 61,962,783

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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 is not determinable at this point and as such no amount has been included in these financial statements.