

Financial Statements of

**LONDON & MIDDLESEX
COMMUNITY HOUSING INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2025

DRAFT

INDEPENDENT AUDITOR'S 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, 2025
- the statement of operations for the year then ended
- the statement of changes 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, 2025, 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

(date)

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash	\$ 965,528	\$ 4,200,161
Restricted cash	1,648,428	810,510
Accounts receivable (note 3)	3,706,420	4,120,264
Due from The Corporation of the City of London	3,084,384	2,427,477
	<u>9,404,760</u>	<u>11,558,412</u>
Financial Liabilities		
Accounts payable and accrued liabilities	8,695,242	11,372,484
Cash held in trust	1,648,428	810,510
Tenant advances	1,097,658	1,006,808
Unearned miscellaneous revenue	75,744	81,454
Asset retirement obligation (note 12)	37,311,898	37,450,756
CMHC Loan (note 8)	12,500,212	7,608,304
	<u>61,329,182</u>	<u>58,330,316</u>
Net debt	(51,924,421)	(46,771,904)
Non-Financial Assets		
Tangible capital assets (note 7)	122,092,253	96,655,166
Prepaid expenses	1,357,173	1,250,744
	<u>123,449,426</u>	<u>97,905,910</u>
Commitments (note 5)		
Accumulated surplus (note 10)	\$ 71,525,005	\$ 51,134,006

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, 2025, with comparative information for 2024

	2025 Budget	2025 Actual	2024 Actual
Revenue:			
Rental revenue	\$ 14,404,026	\$ 15,079,506	\$ 14,335,923
The Corporation of the City of London:			
Capital funding	–	21,286,162	18,814,122
Rental subsidy	18,857,064	18,857,064	14,220,288
CMHC revenue (note 8)	–	3,264,704	3,053,910
Business Case 19	–	–	2,046,000
Business Case 22	–	–	515,000
Other	421,865	584,526	645,811
	<u>33,682,955</u>	<u>59,071,962</u>	<u>53,631,054</u>
Expenses:			
Salaries, wages and employee benefits	10,640,324	10,335,589	8,888,768
Maintenance, materials and services:			
Building, general	5,405,460	6,135,696	6,985,619
Grounds	1,533,655	1,962,854	1,402,912
Painting	400,654	361,118	503,699
Other	321,378	192,742	205,513
	<u>7,661,147</u>	<u>8,652,410</u>	<u>9,097,743</u>
Utilities:			
Electricity	1,991,210	2,249,720	2,024,131
Water	1,735,181	1,724,675	1,682,376
Natural gas	1,380,000	1,261,685	1,262,861
	<u>5,106,391</u>	<u>5,236,080</u>	<u>4,969,368</u>
Amortization	–	4,211,797	3,097,816
Asset retirement obligation expense (recovery)	–	(138,858)	1,371,029
Property:			
Municipal taxes	6,269,382	6,189,255	5,842,854
Insurance	1,300,000	1,299,885	1,314,852
	<u>7,569,382</u>	<u>7,489,140</u>	<u>7,157,706</u>
Administration	3,041,175	2,894,805	2,764,750
Total expenses	<u>34,018,419</u>	<u>38,680,963</u>	<u>37,347,180</u>
Annual surplus (deficit)	(335,464)	20,390,999	16,283,874
Accumulated surplus, beginning of year	51,134,006	51,134,006	34,850,132
Accumulated surplus, end of year	<u>\$ 50,798,542</u>	<u>\$ 71,525,005</u>	<u>\$ 51,134,006</u>

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Changes in Net Debt

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget	2025 Actual	2024 Actual
Annual surplus (deficit)	\$ (355,464)	\$ 20,390,999	\$ 16,283,874
Acquisition of tangible capital assets	–	(29,648,884)	(26,141,270)
Amortization of tangible capital assets	–	4,211,797	3,097,816
	–	(25,437,087)	(23,043,454)
Acquisition of prepaid expenses	–	(1,357,173)	(1,250,744)
Use of prepaid expenses	–	1,250,744	1,266,636
	–	(106,429)	15,892
Change in net debt	(355,464)	(5,152,517)	(6,743,688)
Net debt, beginning of year	(46,771,904)	(46,771,904)	(40,028,216)
Net debt, end of year	\$ (47,127,368)	\$ (51,924,421)	\$ (46,771,904)

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 20,390,999	\$ 16,283,874
Items not involving cash:		
Amortization	4,211,797	3,097,816
Asset retirement obligation expense (recovery)	(138,858)	1,371,029
Changes in non-cash items:		
Accounts receivable	413,844	125,836
Prepaid expenses	(106,429)	15,892
Due from The Corporation of the City of London	(656,907)	368,762
Accounts payable and accrued liabilities	(2,677,243)	4,041,024
Cash held in trust	837,918	266,275
Tenant advances	90,850	49,974
Unearned miscellaneous revenue	(5,710)	(3,082)
Asset retirement obligation	-	(236,693)
	22,360,261	25,380,707
Capital activities:		
Acquisition of tangible capital assets	(29,648,884)	(26,141,270)
Financing activities:		
Issuance of CMHC loan	4,975,532	4,738,351
Repayment of CMHC loan	(83,624)	(24,649)
Net increase (decrease) in cash	(2,396,715)	3,953,139
Cash, beginning of year	5,010,671	1,057,532
Cash, end of year	\$ 2,613,956	\$ 5,010,671
Cash consists of:		
Cash	\$ 965,528	\$ 4,200,161
Restricted cash	1,648,428	810,510
	\$ 2,613,956	\$ 5,010,671

See accompanying notes to financial statements.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements

Year ended December 31, 2025

1. Incorporation:

London & Middlesex Community Housing Inc. (the Corporation) operates housing accommodation primarily for people of low and moderate income. The Corporation operates 3,326 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:

Asset	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.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

An asset retirement obligation is recognized when, at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset.
- Past transactions or events giving rise to liability have occurred.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Significant accounting policies (continued):

(a) Tangible capital assets (continued):

(i) (continued):

- it is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos and other hazardous materials in the buildings owned by the Corporation has been recognized based on estimated future expenses.

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in this note.

In addition, the corporation's implementation of PS3280 *Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

(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.

(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 and the asset retirement obligation. 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 Financial Statements (continued)

Year ended December 31, 2025

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 for the period.

(f) Contaminated sites:

Under PS 3260, *Liability for Contaminated Sites*, 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 exceed 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.

(g) Financial instruments:

Financial instruments are classified into three categories: fair value, amortized cost or cost. Portfolio investments reported at fair value consist of equity instruments, certain fixed income securities, and any other investments where the investments are managed and evaluated on a fair value basis and the fair value option is elected.

Other financial instruments, including cash, accounts receivable, CMHC loan, and accounts payable and accrued liabilities are initially recorded at their fair value and are subsequently measured at cost or amortized cost, net of any provisions for impairment.

Amortized cost is measured using the effective interest rate method, as opposed to the straight-line method.

Amortized cost: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2025

3. Accounts receivable:

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

	2025	2024
Rent	\$ 1,418,532	\$ 1,417,269
Allowance for doubtful accounts	(442,852)	(614,269)
Harmonized Sales Tax	1,247,533	1,297,304
LMCH Accounts Receivable	1,223,367	1,860,354
Sundry	259,840	159,606
	<u>\$ 3,706,420</u>	<u>\$ 4,120,264</u>

4. Income producing properties:

The income producing properties held by the 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 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) Contractual obligations:

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

2026	\$ 384,413
2027	387,225
2028	387,225
2029	387,255
2030	387,255
Thereafter	161,356

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 retirement benefit to be received by the employees based on the length of service and rates of pay.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2025

6. Pension agreement (continued):

In 2025 contribution rates are 9.0% for employee earnings below the years 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 \$714,085 was incurred as pension expense in 2025 (2024 - \$633,708).

The last available report for the OMERS plan was on December 31, 2025. At that time, the plan reported a \$1.4 billion actuarial deficit (2024 - \$2.9 billion), based on actuarial liabilities for \$151.4 billion (2024 - \$142.5 billion) and actuarial assets for \$150.0 billion (2024 - \$139.6 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.

7. Tangible capital assets:

Cost	Balance at December 31, 2024	2025 Additions	2025 Disposals	Balance at December 31, 2025
Land	\$ 24,605,751	\$ –	\$ –	\$ 24,605,751
Site improvements	8,562,387	2,506,397	–	11,068,785
Buildings and improvements	157,193,112	32,118,707	–	189,311,817
Technology and communications	1,530,888	500,085	–	2,030,973
Vehicles	70,684	–	–	70,684
Furniture and fixtures	250,382	96,498	–	346,880
Machinery and equipment	5,684,454	2,536,183	–	8,220,637
Appliances	2,833,957	374,071	–	3,208,028
Construction in progress	14,841,342	17,327,497	(25,810,551)	6,358,287
Total	\$ 215,572,957	\$ 55,459,437	\$ (25,810,551)	\$ 245,221,841

Accumulated amortization	Balance at December 31, 2024	2025 Amortization	2025 Disposals	Balance at December 31, 2025
Land	\$ –	\$ –	\$ –	\$ –
Site improvements	2,435,978	294,636	–	2,730,614
Buildings and improvements	110,293,581	3,429,724	–	113,723,305
Technology and communications	1,476,606	76,242	–	1,552,848
Vehicles	49,416	2,239	–	51,655
Furniture and fixtures	151,687	25,500	–	177,187
Machinery and equipment	2,374,390	247,071	–	2,621,461
Appliances	2,136,133	136,386	–	2,272,519
Construction in progress	–	–	–	–
Total	\$ 118,917,791	\$ 4,211,797	\$ –	\$ 123,129,589

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2025

7. Tangible capital assets (continued):

	Net book value December 31, 2024	Net book value December 31, 2025
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	6,126,409	8,338,170
Buildings and improvements	46,899,531	75,588,511
Technology and communications	54,282	478,125
Vehicles	21,268	19,029
Furniture and fixtures	98,695	169,692
Machinery and equipment	3,310,064	5,599,178
Appliances	697,824	935,509
Construction in progress	14,841,342	6,358,287
Total	\$ 96,655,166	\$ 122,092,253

8. CMHC credit agreement:

On November 25, 2021, together with the City of London as a guarantor, LMCH entered 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. LMCH plans to draw the full amount by the end of 2027, 39% of the loan will be forgivable. LMCH will be receiving funds in seven Tranches each with its specific interest rate. The first Loan Facility was received on December 9, 2021, with the applicable interest rate for a Repayable Loan of 1.84% for the first tranche, second tranche was received in 2022 bearing interest of 3.01%, third tranche was received in 2024 bearing interest of 3.44% and the fourth tranche was received in 2025 bearing interest of 3.48%. The CMHC funding is allocated to three areas: Energy efficiency, Accessibility and Property Repairs & Renewals. LMCH has an option to extend the term of any of the repayable loans for an additional ten years. Currently the intention is to pay each tranche back to CMHC after the first ten years and waive the option to extend.

	2025	2024
Repayable Loan Tranche 1	\$ 55,185	\$ 56,255
Repayable Loan Tranche 2	4,272,025	4,330,084
Repayable Loan Tranche 3	6,266,970	3,221,965
Repayable Loan Tranche 4	1,906,032	-
	\$ 12,500,212	\$ 7,608,304

Forgivable loans in the amount of \$3,181,078 (2024 - \$3,029,369) were received during the year and were reflected as CMHC revenue on the statement of operations. Should the Corporation not meet certain requirements throughout the term of the loans they may be required to repay these amounts.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2025

9. 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.

	2025	2024
Opening balance	\$ 14,544,674	\$ 10,493,245
Contributions during the year	8,350,000	8,880,000
Capital expenditures	(5,072,547)	(4,828,571)
Closing balance	\$ 17,822,127	\$ 14,544,674

10. Accumulated surplus:

	2025	2024
Surplus:		
Business Case 18 Co-investment Funding	\$ 449,442	\$ 449,442
CHMC loan	(12,500,212)	(7,608,304)
Invested in tangible capital assets	122,092,253	96,655,166
Asset retirement obligation	(37,311,898)	(37,450,756)
Other	(1,204,580)	(911,542)
	\$ 71,525,005	\$ 51,134,006

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.

12. Asset retirement obligations:

The Corporation has recorded an asset retirement obligation as of January 1, 2023, implementation date on a modified retroactive basis, with a restatement of prior year amounts.

As of December 31, 2025, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to Financial Statements (continued)

Year ended December 31, 2025

12. Asset retirement obligations (continued):

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation liability is below:

	2025	2024
Liabilities for asset retirement obligations, beginning of year	\$ 37,450,756	\$ 36,316,420
Additions - inflation remediations	–	1,371,029
Remediations	(138,858)	(236,693)
Liabilities for asset retirement obligations, end of year	\$ 37,311,898	\$ 37,450,756

13. Financial risks and concentration risks:

Risks arising from financial instruments and risk management:

The Corporation is exposed to a variety of financial risks including credit risks, liquidity risk and market risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

(a) Credit risk:

The Corporation's principal financial assets that are subject to credit risk are cash and accounts receivable. The amounts of financial assets on the Statement of Financial Position represent the Corporation's maximum credit exposure as at the Statement of Financial Position date.

(b) Liquidity risk:

The Corporation mitigates liquidity risk by monitoring cash activities and expected outflows through extensive budgeting. Accounts payable and accrued liabilities are all current. There have been no significant changes from the previous year in the Corporation's exposure to liquidity risk or policies, procedures and methods used to measure the risk. All accounts payable and accrued liabilities will be paid within twelve (12) months.

(c) Market risk:

The corporation's financial instruments consist of cash, accounts receivable, loans payable and accounts payable and accrued liabilities. It is the Corporation's opinion that it is not exposed to significant interest rate or currency risks arising from these financial instruments except as otherwise disclosed.

14. Comparative information:

Certain comparatives information has been reclassified to conform to the financial statement presentation adopted in the current year.