

Financial Statements of

**LONDON & MIDDLESEX  
COMMUNITY HOUSING INC.**

Year ended December 31, 2018



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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, 2018
- 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, 2018, and its results of operations, its changes 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.



- 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 30, 2019

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial Assets:</b>		
Cash	\$ 1,520,921	\$ 1,501,897
Accounts receivable (note 3)	914,739	1,280,317
Due from The Corporation of the City of London	740,062	1,279,156
	<u>3,175,722</u>	<u>4,061,370</u>
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities	2,962,605	3,851,506
Tenant advances	649,246	623,337
Unearned miscellaneous revenue	67,672	57,975
	<u>3,679,523</u>	<u>4,532,818</u>
Net debt	(503,801)	(471,448)
<b>Non-Financial Assets:</b>		
Tangible capital assets (note 7)	54,281,872	51,957,297
Prepaid expenses	503,801	471,448
	<u>54,785,673</u>	<u>52,428,745</u>
Commitments (note 5)		
<b>Accumulated surplus (note 9)</b>	<b>\$ 54,281,872</b>	<b>\$ 51,957,297</b>

See accompanying notes to financial statements

On behalf of the Board:

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Director

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
<b>Revenue:</b>			
Rental revenue	\$ 11,411,078	\$ 11,460,132	\$ 11,122,354
Rental subsidy	10,202,215	10,202,215	9,758,730
The Corporation of the City of London:			
Funding adjustment		35,284	(4,506)
Capital funding	-	3,904,191	2,610,289
Energy savings project rebates	-	-	74,100
Other	259,474	292,406	354,605
	<u>21,872,767</u>	<u>25,894,228</u>	<u>23,915,572</u>
<b>Expenses:</b>			
Salaries, wages and employee benefits	5,108,262	5,239,281	4,790,722
Maintenance, materials and services:			
Building, general	3,529,214	3,554,708	3,506,268
Grounds	888,195	1,048,150	846,330
Painting	321,017	288,203	320,347
Other	267,957	145,870	152,119
	<u>5,006,383</u>	<u>5,036,931</u>	<u>4,825,064</u>
Utilities:			
Electricity	1,901,232	1,927,787	1,984,966
Water	1,129,273	1,147,591	1,116,774
Natural gas	926,139	884,663	929,885
	<u>3,956,644</u>	<u>3,960,041</u>	<u>4,031,625</u>
Amortization	-	1,680,278	1,529,531
Property :			
Insurance	614,652	598,618	630,535
Municipal taxes	5,457,422	5,396,636	5,289,982
Mortgage payments	46,871	46,871	46,871
	<u>6,118,945</u>	<u>6,042,125</u>	<u>5,967,388</u>
Administration	1,682,533	1,610,997	1,685,153
Total expenses	<u>21,872,767</u>	<u>23,569,653</u>	<u>22,829,483</u>
Annual surplus	-	2,324,575	1,086,089
Accumulated surplus, beginning of year	51,957,297	51,957,297	50,871,208
Accumulated surplus, end of year	<u>\$ 51,957,297</u>	<u>\$ 54,281,872</u>	<u>\$ 51,957,297</u>

See accompanying notes to financial statements

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus	\$ -	\$ 2,324,575	\$ 1,086,089
Acquisition of tangible capital assets	-	(4,047,920)	(2,615,620)
Disposal of tangible capital assets net of accumulated amortization	-	43,067	
Amortization of tangible capital assets	-	1,680,278	1,529,531
		(2,324,575)	(1,086,089)
Acquisition of prepaid expenses	-	(6,832,743)	(6,600,274)
Use of prepaid expenses	-	6,800,389	6,581,068
Change in net debt	-	(32,353)	(19,206)
Net debt, beginning of year	(471,448)	(471,448)	(452,242)
Net debt, end of year	\$ (471,448)	\$ (503,801)	\$ (471,448)

See accompanying notes to financial statements

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,324,575	\$ 1,086,089
Items not involving cash:		
Amortization	1,680,278	1,529,531
Loss on disposal of tangible capital assets	43,067	
Changes in non-cash items:		
Accounts receivable	365,578	(453,635)
Prepaid expenses	(32,353)	(19,206)
Due from The Corporation of the City of London	539,094	(429,727)
Accounts payable and accrued liabilities	(888,901)	1,184,200
Tenant advances	25,909	114,410
Unearned miscellaneous revenue	9,697	(4,943)
	4,066,944	3,006,719
Capital activities:		
Acquisition of tangible capital assets	(4,047,920)	(2,615,620)
Net increase in cash	19,024	391,099
Cash, beginning of year	1,501,897	1,110,798
Cash, end of year	\$ 1,520,921	\$ 1,501,897

See accompanying notes to financial statements

## LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements

Year ended December 31, 2018

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### 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 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:

<b>Asset</b>	<b>Useful Life-Years</b>
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

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. 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 the Financial Statements (continued)

Year ended December 31, 2018

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### **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 in the

(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

(g) Adoption of new accounting policies:

(i) Related party disclosures:

The Corporation adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required 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. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity transactions:

The Corporation adopted Public Sector Accounting Board Standards PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability are nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the 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 may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

Notes to the Financial Statements (continued)

Year ended December 31, 2018

**3. Accounts receivable:**

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

	2018	2017
Rent	\$ 784,566	\$ 1,347,589
Allowance for doubtful accounts	(417,084)	(945,401)
Harmonized Sales Tax	261,841	477,735
Sundry	285,416	400,394
	\$ 914,739	\$ 1,280,317

**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 \$46,871 was expensed and paid in 2018 (2017 - \$46,871). 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

2019	\$	332,952
2020		334,223
2021		137,090

**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. 2018 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 \$343,064 was incurred as pension expense in 2018 (2017 - \$312,640).

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

Notes to the Financial Statements (continued)

Year ended December 31, 2018

**7. Tangible capital assets:**

<b>Cost</b>	<b>Balance at December 31, 2017</b>	<b>2018 Additions</b>	<b>2018 Disposals</b>	<b>Balance at December 31, 2018</b>
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,496,415	41,626	104,677	3,433,364
Buildings and improvements	84,424,782	3,568,872	-	87,993,654
Technology and communications	628,470	223,918	22,688	829,700
Vehicles	48,297	-	-	48,297
Furniture and fixtures	233,981	2,543	6,507	230,017
Machinery and equipment	3,397,879	87,667	-	3,485,546
Appliances	1,873,289	123,294	-	1,996,583
<b>TOTAL</b>	<b>\$ 118,708,864</b>	<b>\$ 4,047,920</b>	<b>\$ 133,872</b>	<b>\$ 122,622,912</b>

<b>Accumulated Amortization</b>	<b>Balance at December 31, 2017</b>	<b>2018 Disposals</b>	<b>2018 Amortization</b>	<b>Balance at December 31, 2018</b>
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,731,188	61,610	76,104	1,745,682
Buildings and improvements	61,333,939	-	1,331,988	62,665,927
Technology and communications	548,853	22,688	85,519	611,684
Vehicles	26,565	-	4,830	31,395
Furniture and fixtures	80,748	6,507	24,324	98,565
Machinery and equipment	1,464,613	-	106,637	1,571,250
Appliances	1,565,661	-	50,876	1,616,537
<b>TOTAL</b>	<b>\$ 66,751,567</b>	<b>\$ 90,805</b>	<b>\$ 1,680,278</b>	<b>\$ 68,341,040</b>

	<b>Net Book Value At December 31, 2017</b>	<b>Net Book Value At December 31, 2018</b>
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,765,227	1,687,682
Buildings and improvements	23,090,843	25,327,727
Technology and communications	79,617	218,016
Vehicles	21,732	16,902
Furniture and fixtures	153,233	131,452
Machinery and equipment	1,933,266	1,914,296
Appliances	307,628	380,046
<b>TOTAL</b>	<b>\$ 51,957,297</b>	<b>\$ 54,281,872</b>

**LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

Notes to the Financial Statements (continued)

Year ended December 31, 2018

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**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 these financial statements and will be accounted for as the funds are received and expensed.

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	2018
Opening balance	\$ 1,735,040
Contributions during the year	2,708,000
Capital expenditures	(1,463,458)
	<hr/> \$ 2,979,582 <hr/>

**9. Accumulated Surplus:**

Accumulated surplus consists of surplus funds as follows:

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	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 54,281,872	\$ 51,957,297

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