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April 17, 2020

Ann-Marie Norio, Regional Clerk
Niagara Region
1815 Sir Isaac Brock Way
Thorold, ON L2V 4T7

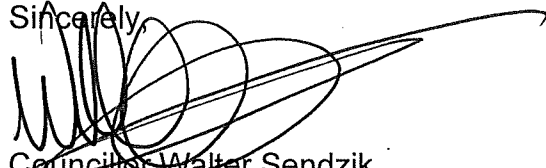
Dear Ms. Norio,

At their April 17, 2020 meeting, the Niagara Regional Housing Board of Directors passed the following recommendation:

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2019 **BE APPROVED**; and
2. That the audit findings report pertaining to the audited financial statements, attached as Appendix 2, of Niagara Regional Housing for the year ended December 31, 2019 **BE RECEIVED** for information.
3. That staff **BE DIRECTED** to co-ordinate with the auditors to finalize the statements as presented.
4. That this report **BE FORWARDED** to the Region's Audit Committee for information.

Your assistance is requested in providing the attached report, NRH 6-2020, to the Audit Committee.

Sincerely,



Councilor Walter Sendzik
Chair



REPORT TO: Board of Directors of Niagara Regional Housing

SUBJECT: 2019 Draft Audited Financial Statements

Report date: Friday, April 17, 2020

Recommendations

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2019 **BE APPROVED**; and
2. That the audit findings report pertaining to the audited financial statements, attached as Appendix 2, of Niagara Regional Housing for the year ended December 31, 2019 **BE RECEIVED** for information.
3. That staff **BE DIRECTED** to co-ordinate with the auditors to finalize the statements as presented.
4. That this report **BE FORWARDED** to the Region's Audit Committee for information.

Key Facts

- The requirement for an annual audit is established in the Housing Services Act and the Corporations Act for non profit corporations.
- Niagara Regional Housing received an unqualified audit opinion and no management letter points.
- Year-end funding surplus results were reported in report 20-187-4.3 in February 2020 and are consistent with the results reported in these audited financial statements adjusted for accrual accounting presentation required by Public Sector Accounting Standards (PSAS).
- In accordance with AC-C 32-2018 dated June 28, 2018 respecting the Audit Committee Terms of Reference, regarding agencies, boards and commissions (ABC) financial statements, financial statements are approved by the governing bodies of the reporting ABC and then referred to Audit Committee for information.

Financial Considerations

The draft financial statements have been prepared in compliance with legislation and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

A draft copy of Niagara Regional Housing's financial statements for the year ended December 31, 2019 is attached (Appendix 1). In addition, Deloitte audit findings report for the year ended December 31, 2019 is attached (Appendix 2).

This report is presenting historical financial information. Niagara Regional Housing's budget is prepared and reported on a quarterly basis whereas the audited financial statements are prepared using PSAS. Appendix 3 reconciles the surplus per the audited Statement of Operations to the funding surplus based on the budget approach.

Analysis

The draft financial statements of Niagara Regional Housing for the year ended December 31, 2019 attached in Appendix 1 have been audited in accordance with Canadian PSAS. The external auditor (Deloitte) has indicated that in their opinion, the financial statements present fairly, in all material respects, the statement of financial position of Niagara Regional Housing as at December 31, 2019 and the statement of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended.

The financial statements are prepared using PSAS making them comparable to other public sector organizations in Canada.

Upon approval of these statements by the board of directors, Niagara Regional Housing will receive the signed Auditor's Report.

Alternatives Reviewed

The requirement for an annual audit is established in the Housing Services Act and the Corporations Act for non-profit corporations and therefore no other alternatives are available.

Relationship to NRH and/or Council Strategic Priorities

Providing formal financial reporting to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Environment.

Other Pertinent Reports

20-187-4.3 2019 Year-End Transfer Report

CSD 15-2020 2019 Year End Results and Transfer Report

Submitted by:



Donna Woiceshyn
Chief Executive Officer

Approved by:



Walter Sendzik
Chair

This report was prepared by Donovan D'Amboise, Program Financial Specialist, in consultation with Dan Ane, Manager Program Financial Support.

Appendices

- Appendix 1 Draft 2019 Audited Financial Statements
- Appendix 2 2019 Deloitte Audit Findings Report
- Appendix 3 Annual Surplus Reconciliation

Financial Statements of Niagara Regional Housing

Year ended December 31, 2019

Niagara Regional Housing

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Draft

Independent Auditor's Report

To the Board of Niagara Regional Housing

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements Niagara Regional Housing (the "Organization"), which comprise the statement of financial position as at December 31, 2019, the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 PSAS, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Organization'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 Organization'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 Organization 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.

We 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
April __, 2020

Niagara Regional Housing

Statement of Financial Position

As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 12,478,578	\$ 7,039,520
Investments	6,399,246	6,284,220
Accounts Receivable	4,267,475	3,632,651
Total financial assets	23,145,299	16,956,391
FINANCIAL LIABILITIES		
Due to Niagara Region	12,086,075	11,778,299
Deferred revenue (note 3)	3,730,346	3,404,967
Subsidy payable	58,778	24,453
Mortgages and debentures (note 4)	36,356,548	24,205,181
Employee future benefits (note 5)	1,648,252	1,738,100
	53,879,999	41,151,000
Net debt	(30,734,700)	(24,194,609)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	134,582,039	127,498,614
Prepaid expenses and deposits	718,846	716,811
	135,300,885	128,215,425
Commitments (note 9)		
Accumulated surplus (note 7)	\$ 104,566,185	\$ 104,020,816

The accompanying notes to the financial statements are an integral part of this financial statement.

Niagara Regional Housing

Statement of Operations

For the year ended December 31, 2019

	2019 Budget (note 11)	2019 Actual	2018 Actual
REVENUES			
Rental revenue	\$ 14,818,033	\$ 15,292,964	\$ 14,191,739
Subsidies			
Niagara Region	38,233,485	38,209,235	36,649,783
Federal and Provincial Government	20,405,629	19,024,147	26,092,121
Investment income	150,000	334,480	376,440
Development Charge Revenue	272,102	272,102	-
Sundry revenue	366,161	387,348	671,411
	74,245,410	73,520,276	77,981,494
Transfer of 2018 Year End Surplus to 2019 Operating Budget (note 8)	-	-	(1,224,250)
Transferred to Niagara Region and transferred to reserves (note 8)	(4,391,715)	(6,452,800)	(3,122,040)
	69,853,695	67,067,476	73,635,204
EXPENSES			
Property taxes	4,905,594	4,966,136	4,741,493
Support services – Niagara Region	3,998,760	3,633,145	3,740,556
Amortization expense	8,521,741	8,521,741	7,735,031
Bad debts	161,500	132,206	177,769
Loss on disposal of tangible capital assets	-	-	216,288
Wages, salaries and benefits	5,015,202	4,893,735	5,264,115
Utilities	4,853,257	4,630,303	4,664,433
Materials and services	5,157,761	6,245,565	5,194,077
Interest on debenture and mortgage payments	655,673	886,508	659,263
Debenture payments (note 9)	2,063,063	2,063,063	2,159,496
Portable Housing Allowance - Survivors of Domestic Violence Pilot	-	-	114,004
Rent supplement program (note 12)	6,965,419	6,032,799	6,193,650
Investment in Affordable Housing (note 13)	1,676,666	1,537,537	1,122,315
Administration	986,076	691,469	826,486
Supplies and equipment	331,270	312,806	487,520
Non-profit and co-op provider subsidies	20,824,305	19,599,855	20,278,771
Federal provider subsidies	1,186,600	1,121,870	1,163,568
Social Infrastructure Fund (note 14)	1,026,289	544,202	843,635
Social Housing Improvement Program			1,092,393
Niagara Renovates – Ontario Priorities Housing Initiative	376,370	74,194	-
Canada-Ontario Community Housing Initiative	361,740	229,877	-
Other subsidies	-	289,529	-
Homeownership - Ontario Priorities Housing Initiative	200,000	84,795	-
Government land lease	41,040	30,772	51,289
	69,308,326	66,522,107	66,726,152
Annual surplus	545,369	545,369	6,909,052
Accumulated surplus, beginning of year	104,020,816	104,020,816	97,111,764
Accumulated surplus, end of year	\$ 104,566,185	104,566,185	104,020,816

The accompanying notes to the financial statements are an integral part of this financial statement.

Niagara Regional Housing

Statement of Change in Net Debt

For the year ended December 31, 2019

	2019 Budget (note 11)	2019 Actual	2018 Actual
Annual surplus	\$ 545,369	\$ 545,369	\$ 6,909,052
Acquisition of tangible capital assets	(15,605,166)	(15,605,166)	(16,763,905)
Amortization of tangible capital assets	8,521,741	8,521,741	7,735,031
Loss on disposal of tangible capital assets	-	-	216,288
Change in prepaid expenses	-	(2,035)	6,599
Change in net debt	(6,538,056)	(6,540,091)	1,896,935
Net debt, beginning of year	(24,194,609)	(24,194,609)	(22,297,674)
Net debt, end of year	\$ (30,732,665)	\$ (30,734,700)	\$ (24,194,609)

The accompanying notes to the financial statements are an integral part of this financial statement.

Draft

Niagara Regional Housing

Statement of Changes in Cash Flows

For the year ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 545,369	\$ 6,909,052
Items not involving cash:		
Amortization of tangible capital assets	8,521,741	7,735,031
Loss on disposal of tangible capital assets	-	216,288
Employee future benefit liabilities	(89,848)	347,403
Change in non-cash assets and liabilities:		
Accounts receivable	(634,824)	(1,556,275)
Subsidy receivable	-	3,390
Deferred revenue	325,379	(5,746,260)
Subsidy payable	34,325	24,453
Prepaid expenses	(2,035)	6,599
Net change in cash from operating activities	8,700,107	7,939,681
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(15,605,166)	(16,763,905)
Net change in cash from capital activities	(15,605,166)	(16,763,905)
INVESTING ACTIVITIES		
Change in investments	(115,026)	(82,678)
Net change in cash from investing activities	(115,026)	(82,678)
FINANCING ACTIVITIES		
Mortgages and debentures issued	15,170,730	6,768,837
Mortgage and debenture repayments	(3,019,363)	(2,361,750)
Change in due to Niagara Region	307,776	(635,021)
Net change in cash from financing activities	12,459,143	3,772,066
Net change in cash	5,439,058	(5,134,836)
Cash, beginning of year	7,039,520	12,174,356
Cash, end of year	\$ 12,478,578	\$ 7,039,520
Cash paid for interest	886,508	659,264

The accompanying notes to the financial statements are an integral part of this financial statement.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

1. Description of operations

Niagara Regional Housing was incorporated on December 17, 2001 under the laws of the Province of Ontario to perform all the duties and powers of an administrator under Section 15 of the Social Housing Reform Act. These duties include but are not limited to ownership and management of a real estate portfolio consisting of 2,850 apartments and houses, oversight responsibilities for the administration of social housing by 60 housing providers, administration of programs for the provision of rent-geared-to-income and the power to purchase, construct or make alterations to a housing project.

2. Significant accounting policies

The financial statements of Niagara Regional Housing (the "Corporation" or "NRH") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant accounting policies adopted by the Corporation are as follows:

Accrued basis of accounting

The Corporation follows the accrual method of accounting for revenues and expenses. Rental revenue is recognized at the time the service is provided. Other revenues are recognized when the services are earned. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets

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

Land Improvements	5 – 50 years
Buildings	5 – 40 years
Equipment	15 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Work in progress assets are not amortized until the asset is available for productive use.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

Interest capitalization

The Corporation's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Investments

Investments consist of guaranteed investment certificates and are stated at amortized cost.

Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

Use of estimates

The preparation of financial statements in conformity with PSAS 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 period. Amounts requiring significant estimates include due to Niagara Region, useful lives of tangible capital assets, and employee future benefits. Actual results could differ from these estimates.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

2. Significant accounting policies (continued):

Employee future benefits

Vacation entitlements and other compensated absences accrue to employees each year based on terms of employment contracts or by policy. Earned entitlements unused at year end are accrued based on the wage rates for the employee at year end.

Workplace Safety & Insurance Board ("WSIB") benefits and sick leave may accrue to employees based on terms of employee. Entitlements are accrued in accordance with the project benefit method, pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are generally performed every three years. The discount rate used to determine the accrued benefit obligation was determined by reference to the Niagara Region's short term and long-term rate of borrowing. Unamortized actuarial gains/losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to WSIB, are recorded when determined.

Cost related to prior-period employee services arising out of amendments to entitlements are recognized in the period in which the period is amended.

Where applicable, the Niagara Region has set aside Reserves intended to fund these obligations, either in full or in part. These Reserves were created under municipal by-law and do not meet the definition of a plan asset under PSAS 3250 Retirement Benefits. Therefore, for the purpose of these financial statements, the plans are considered unfunded.

3. Deferred revenue

Deferred revenues reported on the statement of financial position is made up of the following:

	2019	2018
Ministry of Municipal Affairs and Housing	\$ 3,549,349	\$ 3,106,408
Ganawageh	-	97,970
Other	180,997	200,589
Balance, end of year	\$ 3,730,346	\$ 3,404,967

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

4. Mortgages and debentures

Amounts consist of mortgages secured by the income producing properties of the Corporation. As at December 31, 2019 the unpaid balances of these mortgages and debentures are as follows:

	2019	2018
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.15% to 4.80% paid in full during the year	-	188,000
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.60% to 4.65% due in 2020	395,092	774,441
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.35% to 3.10% due in 2022	588,000	773,000
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.40% to 3.75% due in 2023	964,123	1,192,028
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 3.30% due in 2024	1,327,814	1,573,716
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.15% to 2.80% due in 2025	1,818,000	2,101,000
Debenture for Niagara Regional Housing capital program bearing interest at 2.25% due in 2025	683,588	788,862
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.40% due in 2026	4,010,505	4,547,122
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.45% due in 2027	1,387,136	1,547,575
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.05% to 3.15% due in 2028	6,165,000	6,768,837
Ontario Infrastructure and Lands Corporation amortization debenture for Niagara Regional Housing capital program bearing interest at 3.74% due in 2042	3,846,560	3,950,600
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.00% to 2.40% due in 2029	15,170,730	-
	\$ 36,356,548	\$ 24,205,181

The annual principal payments are as follows:

2020	2,894,312
2021	2,551,672
2022	2,612,519
2023	2,466,949
2024	2,274,422
Thereafter	23,556,674
	\$ 36,356,548

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

5. Employee future benefit liability

The Corporation provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

	2019	2018
Future payments required to WSIB	\$ 1,203,875	\$ 1,294,019
Retiree benefits	100,788	129,568
Vacation pay	318,928	287,530
Other liabilities	24,661	26,983
Employee future benefit liability	\$ 1,648,252	\$ 1,738,100

Information about the Corporation's benefit plans is as follows:

	2019	2018
Accrued benefit obligation:		
Balance, beginning of year	\$ 460,170	\$ 1,779,826
Current benefit cost	42,303	343,782
Interest	5,560	51,073
Actuarial (gain)	-	(1,591,129)
Benefits paid	(27,791)	(123,382)
Balance, end of year	480,242	460,170
Unamortized actuarial gain	1,168,010	1,277,930
Employee future benefit liability	\$ 1,648,252	\$ 1,738,100

Included in expenses is \$ 109,920 gain (2018 - \$75,930 loss) for amortization of the actuarial loss/gain.

The most recent actuarial valuation was completed as at December 31, 2018 with estimates to December 31, 2022.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

5. Employee future benefit liability (continued)

Accumulated sick leave

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Corporation's employment. The main actuarial assumptions employed for the valuation are as follows:

Interest (discount rate)

The obligation as at December 31, 2019, of the present value of future liabilities and the expense for the 12 months ended December 31, 2019, were determined using a discount rate of 3.75% (2018 – 3.75%).

WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act the Corporation has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements.

The unamortized actuarial gain (loss) on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

The main actuarial assumptions employed for the valuation are as follows:

Interest (discount rate)

The obligation as at December 31, 2019, of the present value of future liabilities and the expense for the 12 months ended December 31, 2019, were determined using a discount rate of 3.75% (2018 – 3.75%).

Administration Costs

Administration costs were assumed to be 32% (2018 – 32%) of the compensation expense.

Compensation expense

Compensation costs, which include loss of earnings before, health care costs and non-economic loss awards, were assumed to increase at a rate of 2% per annum (2018 - 2%).

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

5. Employee future benefit liability (continued)

Retiree benefits

The Corporation pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65. The Corporation recognizes these post-retirement costs in the period in which the employees rendered the services.

The unamortized actuarial gain on retiree benefits is amortized over the expected average remaining service life of 13 years.

The main actuarial assumptions employed for the valuations are as follows:

Interest (discount rate)

The obligation as at December 31, 2019, of the present value of future liabilities and the expense for the 12 months ended December 31, 2019, were determined using a discount rate of 3.75% (2018 - 3.75%).

Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2018 - 3.42%) per year, reducing to 2.75% in 2022 and thereafter.

Dental costs

Dental costs were assumed to increase at the rate of 2.75% (2018 – 2.75%) per year.

Mortality table

The mortality table used in determining the obligation at December 31, 2019 is the Uninsured Pensioners 1994 with mortality improvement projections to 2030 (2018 - Uninsured Pensioners 1994 with mortality improvement projections to 2030).

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

6. Tangible capital assets:

	2019					
	Land	Land Improvements	Building	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	\$ 36,405,071	\$ 6,735,621	\$ 148,149,835	\$ 3,989,300	\$ 14,142,573	\$ 209,422,400
Additions	518,511	1,188,189	23,905,214	218,213	(10,224,961)	15,605,166
Disposals	-	(107,001)	-	(106,160)	-	(213,161)
Balance, end of year	36,923,582	7,816,809	172,055,049	4,101,353	3,917,612	224,814,405
Accumulated Amortization						
Balance, beginning of year	-	1,828,345	78,370,435	1,725,006	-	81,923,786
Disposals	-	(107,001)	-	(106,160)	-	(213,161)
Amortization expense	-	350,944	7,862,500	308,297	-	8,521,741
Balance, end of year	-	2,072,288	86,232,935	1,927,143	-	90,232,366
Net Book Value, end of year	\$ 36,923,582	\$ 5,744,521	\$ 85,822,114	\$ 2,174,210	\$ 3,917,612	\$ 134,582,039

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

6. Tangible capital assets (continued):

	2018					
	Land	Land Improvements	Building	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	\$ 36,405,071	\$ 6,404,092	\$ 143,465,657	\$ 3,578,636	\$ 3,787,412	\$ 193,640,868
Additions	-	608,613	5,284,980	515,152	10,355,161	16,763,906
Disposals	-	(277,084)	(600,802)	(104,488)	-	(982,374)
Balance, end of year	36,405,071	6,735,621	148,149,835	3,989,300	14,142,573	209,422,400
Accumulated Amortization						
Balance, beginning of year	-	1,772,870	71,610,519	1,571,451	-	74,954,840
Disposals	-	(277,084)	(384,513)	(104,488)	-	(766,085)
Amortization expense	-	332,559	7,144,429	258,043	-	7,735,031
Balance, end of year	-	1,828,345	78,370,435	1,725,006	-	81,923,786
Net Book Value, end of year	\$ 36,405,071	\$ 4,907,276	\$ 69,779,400	\$ 2,264,294	\$ 14,142,573	\$ 127,498,614

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

6. Tangible capital assets (continued)

Assets under construction

Assets under construction at December 31, 2019 valued at \$3,917,612 (2018 - \$14,142,573) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution.

Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$NIL (2018 - \$NIL).

7. Accumulated Surplus:

Accumulated surplus consists of individual fund surplus as follows:

	2019	2018
Invested in tangible capital assets	\$ 98,225,491	\$ 103,293,433
Capital fund: Unexpended capital financing/(unfunded capital outlay)	7,107,463	1,584,000
Contributed capital	728,761	728,761
Operating fund	152,722	152,722
Unfunded employee future benefits	(1,648,252)	(1,738,100)
Total accumulated surplus	\$ 104,566,185	\$ 104,020,816

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

8. Surplus transferred to Niagara Region

The Corporation had a current year operating surplus of \$1,326,502 (2018 - \$2,634,629) of which \$1,185,178 (2018 - \$Nil) has been transferred to reserves within the Niagara Region held for NRH, \$Nil (2018 - \$1,224,250) has been transferred to NRH's operating budget, and \$141,324 (2018 - \$1,410,379) has been transferred to Niagara Region operations in accordance with the Niagara Region's Surplus/Deficit Policy. In addition, \$734,583 (2018 - \$369,921) has been transferred to the Niagara Region encumbrance reserve.

The following represents transactions within reserves held by the Niagara Region for NRH purposes:

	NRH Reserve	NRH Employee Future Benefit Reserve	NRH Owned Units Reserve	NRH Rent Supplement Reserve	2019 Total	2018 Total
Reserves held by Niagara Region, beginning of year	\$ 6,040,299	\$ 792,733	\$ 4,120,818	\$ 278,300	\$ 11,232,150	\$ 12,572,368
Transfer of year-end surplus to reserves	605,178	-	580,000	-	1,185,178	-
Transfer from the Reserve for capital purposes	(410,415)	-	(1,111,870)	-	(1,522,285)	(2,097,295)
Transfer to the Reserve for operating purposes	1,274,397	-	1,881,423	-	3,155,820	389,782
Transfer from the Reserve for operating purposes	-	-	-	(11,999)	(11,999)	(24,000)
Transfer to the Reserve from project closures & budget reductions	718,580	-	517,315	-	1,235,895	391,295
Reserves held by Niagara Region, end of year	\$ 8,228,039	\$ 792,733	\$ 5,987,686	\$ 266,301	\$ 15,274,759	\$ 11,232,150

9. Commitments

The Corporation is committed to paying principal and interest payments on provincial debentures issued to finance the properties owned and operated by the Corporation. These debentures amount to \$7,123,897 (2018 - \$8,749,935) and payments during the year of \$2,063,063 (2018 - \$2,159,496) have been charged to current operations.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

10. Pension agreements

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. 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 pay. The Corporation accounts for its participation in OMERS as a defined contribution plan. The OMERS Plan ended 2019 with a funding deficit of \$3.4 billion (2018 - \$4.2 billion). The funded ratio has increased to 97% from 96% in 2018. The funded ratio has increased for the seventh consecutive year.

The amount contributed to OMERS for 2019 was \$365,380 (2018 - \$328,884) for current service and is included as an expenditure on the statement of operations. Employees' contribution to OMERS in 2019 was \$365,380 (2018 - \$328,884).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2018 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$57,400 (2018 - \$55,900) and at a rate of 14.6% (2018 – 14.6%) for earnings greater than the yearly maximum pensionable earnings.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

11. Budget data

The budget data presented in these financial statements is based upon the 2019 operating and capital budgets approved by NRH Board on September 21, 2018. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the budget amounts used on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results. The chart below reconciles the approved budget to the budget figures reported in these financial statements, in accordance with PSAS.

	Budget Amount
REVENUES	
Operating	
Approved Operating Revenue	\$ 66,753,981
Capital	7,491,429
<u>Less:</u>	
Surplus transferred from Niagara Region and transferred from reserves	(4,391,715)
Total revenue	69,853,695
EXPENSES	
Operating	
Approved Operating Expenses	66,753,981
<u>Add:</u>	
Amortization	8,521,741
Employee future benefits	(89,848)
Expenditures included in capital fund	297,635
<u>Less:</u>	
Transfers to reserves	(3,155,820)
Debt principal payments	(3,019,363)
Total expenses	69,308,326
Annual surplus	\$ 545,369

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2019

12. Rent Supplement Program

	Budget	2019	2018
Rent supplement program	\$ 3,648,000	\$ 3,047,178	\$ 3,051,259
In-situ	12,000	16,557	18,111
Strong Communities	1,682,788	1,513,920	1,636,366
Investment in Affordable Housing	895,407	914,322	1,017,109
Social Infrastructure Fund	727,224	540,822	470,805
Balance, end of year	\$ 6,965,419	\$ 6,032,799	\$ 6,193,650

13. Investment in Affordable Housing

	Budget	2019	2018
New Development Subsidy	\$ -	\$ 97,716	\$ -
Niagara Renovates Payment Assistance	1,137,315	963,658	687,736
Housing Allowance	259,351	296,005	33,427
Welcome Home Niagara Down Payment Assistance – Investment in Affordable Housing	280,000	180,158	401,152
Balance, end of year	\$ 1,676,666	\$ 1,537,537	\$ 1,122,315

14. Social Infrastructure Fund

	Budget	2019	2018
Welcome Home Niagara Down Payment Assistance	\$ 20,000	\$ -	\$ 274,911
Housing Allowance	1,006,289	544,202	436,355
Niagara Renovates Payment Assistance	-	-	132,369
Balance, end of year	\$ 1,026,289	\$ 544,202	\$ 843,635

Niagara Regional Housing

15. Risks

Credit risk

The Corporation is subject to credit risks from its tenants as a result of counterparty default. This risk is mitigated by prudent monitoring procedures.

Interest rate risk

The Corporation is subject to interest rate fluctuations on its mortgages and long term debt. The Corporation current does not use any hedging strategies to mitigate this interest rate exposure.

Market risk

Market risk arises as a result of trading in fixed income securities and equities. Fluctuations in the market expose the Corporation to a risk of loss. The Corporation mitigates this risk through cash management processes and compliance with the approved investment policy.

16. Comparative Figures

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.

Niagara Regional Housing

Schedule of Financial Activities – Operating Fund

For the year ended December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
REVENUES			
Rental revenue	\$ 14,818,033	\$ 15,292,964	\$ 14,191,739
Subsidies			
Niagara Region	36,711,200	36,686,950	34,552,488
Federal and Provincial Government	14,718,787	13,337,304	14,496,473
Investment income	150,000	334,480	376,440
Sundry revenue	355,961	377,149	671,661
	66,753,981	66,028,847	64,288,801
EXPENSES			
Property taxes	4,905,595	4,966,136	4,741,493
Support services – Niagara Region	3,998,760	3,633,145	3,750,354
Bad debts	161,500	132,206	177,769
Wages, salaries and benefits	5,015,202	4,893,735	5,264,115
Utilities	4,849,288	4,626,337	4,664,433
Materials and services	4,901,171	5,988,976	5,242,994
Interest on debenture and mortgage payments	655,673	886,508	659,264
Debenture payments	2,063,063	2,063,063	2,159,496
Portable Housing Allowance - Survivors of Domestic Violence Pilot	-	-	114,004
Rent supplement program	6,238,195	5,491,977	5,722,845
Investment in Affordable Housing	1,676,666	1,537,537	1,122,315
Administration	938,275	643,665	812,800
Supplies and equipment	341,995	323,531	327,778
Non-profit and co-op provider subsidies	20,824,305	19,599,855	20,278,771
Federal provider subsidies	1,186,600	1,121,870	1,163,568
Social Infrastructure Fund	1,753,512	1,085,024	1,314,440
Social Housing Improvement Program	-	-	1,092,393
Niagara Renovates – Ontario Priorities Housing Initiative	376,370	74,194	-
Canada-Ontario Community Housing Initiative	361,740	229,877	-
Other subsidies	-	289,529	-
Homeownership - Ontario Priorities Housing Initiative	200,000	84,795	-
Government land lease	41,040	30,772	51,289
	60,488,950	57,702,732	58,660,121
Annual surplus	6,265,031	8,326,115	5,628,680
Financing and transfer			
Transfer to reserves (note 8)	(3,155,820)	(3,890,402)	(979,703)
Transfer of 2018 Year End Surplus to 2019 Operating Budget (note 8)	-	-	(1,224,250)
Transfer to Niagara Region (note 8)	-	(1,326,502)	(1,410,379)
Debt principal payments	(3,019,363)	(3,019,363)	(2,361,751)
Employee benefits	(89,848)	(89,848)	347,403
	(6,265,031)	(8,326,115)	(5,628,680)
Operating fund balance, beginning of year	152,722	152,722	152,722
Operating fund balance, end of year	152,722	152,722	152,722

The accompanying notes to the financial statements are an integral part of this financial statement.



Niagara Regional Housing Report to Board of Directors on the 2019 audit

February 27, 2020

Private and confidential

Members of the Board of Directors
Niagara Regional Housing
1815 Sir Isaac Brock Way
Thorold ON L2V 3Z3

Report on audited annual financial statements

Dear Board Members:

We are pleased to submit this report on the status of our audit of Niagara Regional Housing ("the Organization") for the 2019 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our Master Service Agreement dated November 8, 2016, and the confirmation of changes letter dated January 30, 2019, we have performed an audit of the financial statements of Niagara Regional Housing as of and for the year ended December 31, 2019, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

This report is intended solely for the information and use of Board of Directors, management and others within the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

Original signed by Deloitte

Chartered Professional Accountants
Licensed Public Accountants

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Our audit explained

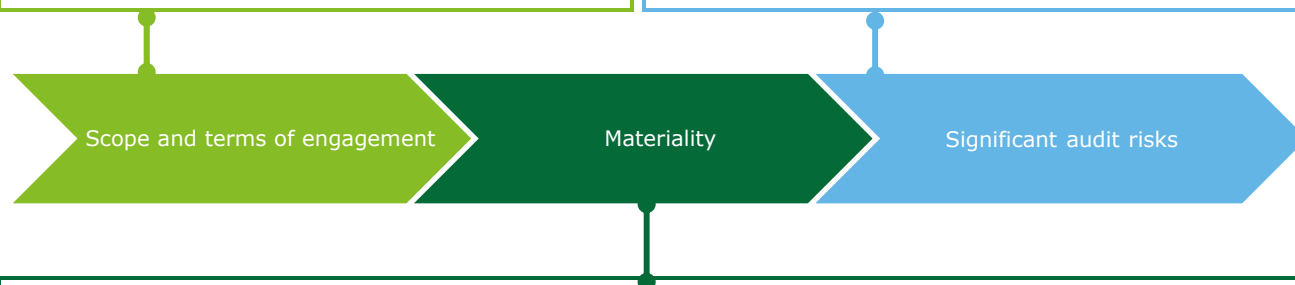
Audit scope and terms of engagement

We have been asked to perform an audit of the Organization's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2019. Our audit was conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the dated November 8, 2016, and the confirmation of changes letter dated January 30, 2019, which was signed on behalf of the Board and management.

Audit risks

Through our risk assessment process, we have identified the audit risks. These risks of material misstatement and related audit responses are discussed in the Audit Risks section of this report.

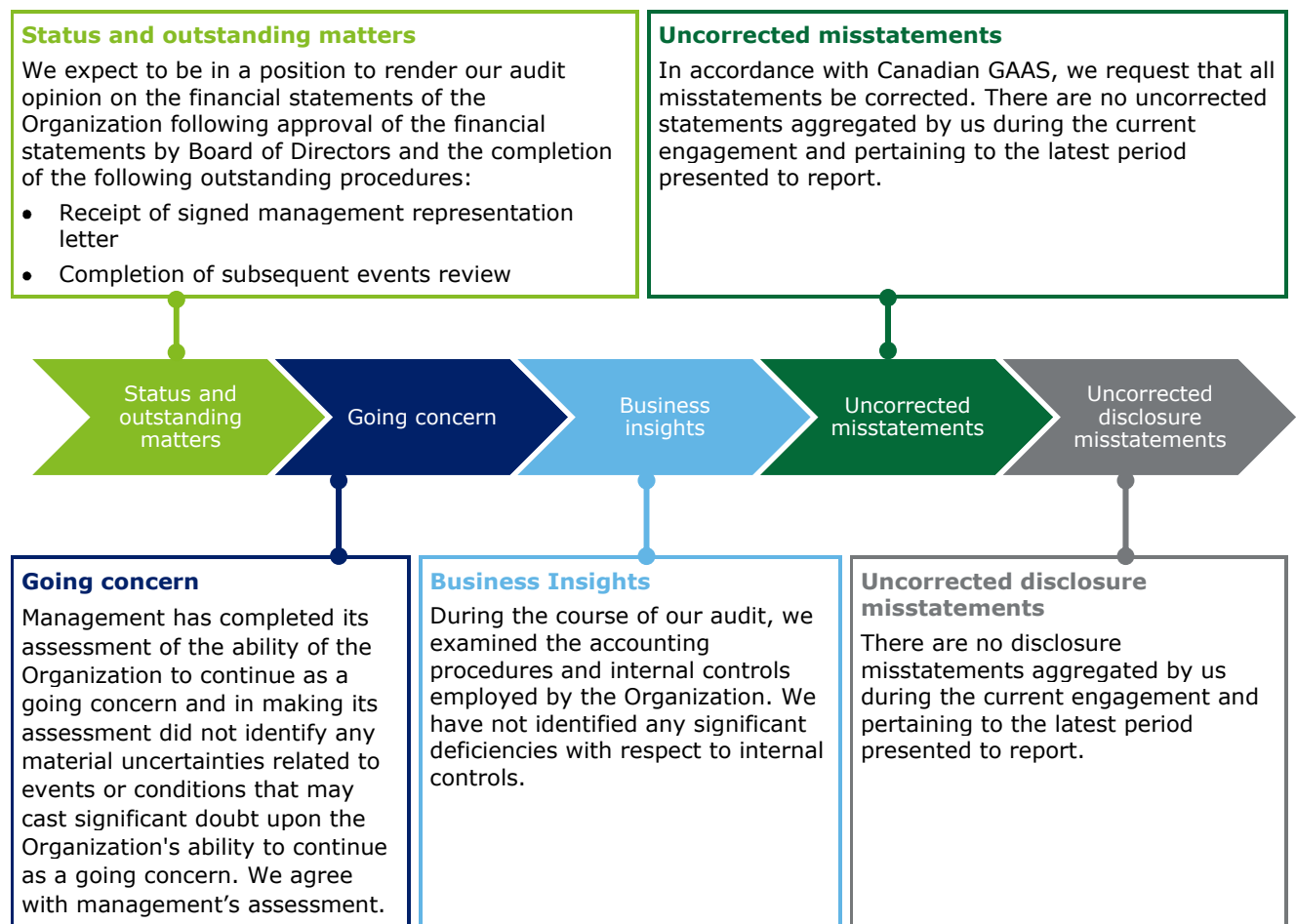


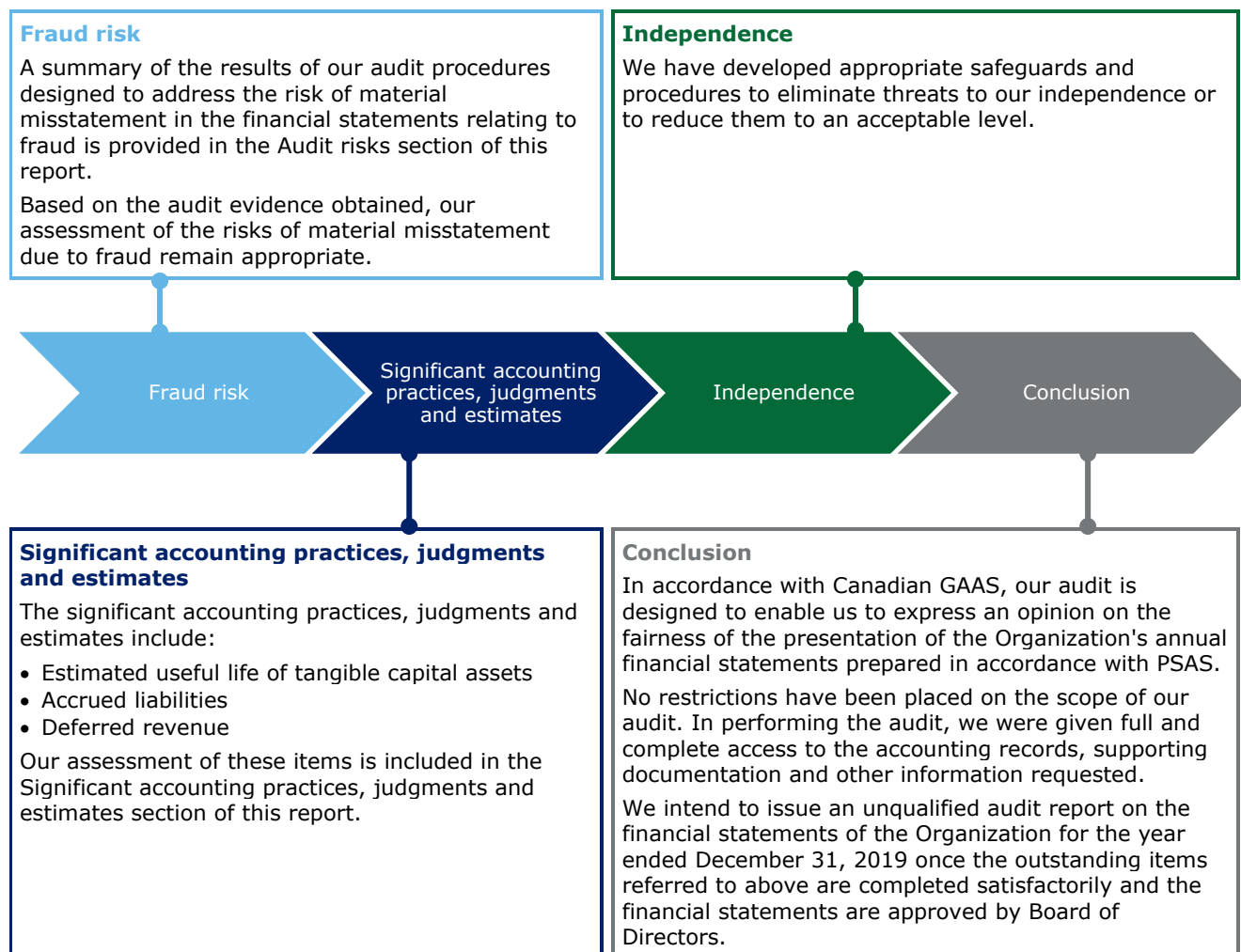
Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality was determined on the basis of total operating expenditures.

We have informed The Board of Directors of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.





Audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Revenue and deferred revenue

Audit risk

Determine completeness of revenue sources. Determine that deferred revenue recorded in the prior year has been recognized appropriately as income when the conditions for revenue recognition have been met. Determine that contributions received for specific purposes are reported as intended.

Our audit response

Obtain confirmation of revenue from various government and other funders; review reconciliations to account balances. Review funds received during the year to determine if they should be recorded as revenue, deferred revenue or deferred capital contributions. Obtain funding agreements to determine if any restrictions are placed on contributions received and determine if appropriately recorded in the general ledger accounts.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Management override of controls

Audit risk

Assurance standards include the presumption of a significant risk of management override of controls. Management is in a unique position to override internal controls, which could allow manipulation of the accounting records that could result in financial statements that are materially misstated.

Our audit response

- We engaged in periodic fraud discussions with certain members of senior management and others
- We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Significant accounting practices, judgments and estimates

The accounting policies of the Organization are set out in Note 2 of the financial statements.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

Significant accounting policies

The Organization did not adopt any new accounting policies during the year ended December 31, 2019.

Management judgment and accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2019, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit.

	Comment
Significant difficulties encountered in performing the audit	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Concerns regarding management competence and integrity	We do not have any concerns regarding management's competency and integrity.
Related party transactions	We have not identified any related party transactions during the course of our audit.
Litigation	We are not aware of any significant litigation or claims made against the entity.
Legal and regulatory compliance	<p>Management is responsible for ensuring that the Organization's operations are conducted in accordance with the laws and regulations applicable to the Organization in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>The legal and regulatory non-compliance matters reported below are restricted to those that came to our attention during the course of our substantive procedures and should not be considered to be exhaustive.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Organization.</p>
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events that would require disclosure in the financial statements.

Appendix 3: 2019 Surplus Reconciliation

	<u>Approved Budget</u>	<u>2019</u>	<u>2018</u>
Based on budget approach			
Niagara Regional Housing Operating Surplus per CSD 15-2020	\$ -	\$ 1,326,502	\$ 2,634,629
PSAS Presentation Adjustments:			
Capital			
Recognize amortization	(8,521,741)	(8,521,741)	(7,735,031)
Recognize in year capital program revenues	7,491,429	7,491,428	13,692,693
Recognize expenditures included in capital fund	(297,635)	(297,635)	(124,510)
Recognize loss on disposal of assets	-	-	(216,288)
Capital Subtotal	<u>(1,327,946)</u>	<u>(1,327,947)</u>	<u>5,616,863</u>
Funded			
Remove principal debt repayments	3,019,363	3,019,363	2,371,549
Remove net transfers to reserves	(1,235,895)	(2,562,397)	(3,366,586)
Funded Subtotal	<u>1,783,468</u>	<u>456,966</u>	<u>(995,037)</u>
Unfunded			
Recognize change in unfunded employee future benefits liability	89,848	89,848	(347,403)
Unfunded Subtotal	<u>89,848</u>	<u>89,848</u>	<u>(347,403)</u>
Annual surplus per PSAS financial statements	<u>545,369</u>	<u>\$ 545,369</u>	<u>\$ 6,909,052</u>

A balanced operating budget was approved by Council on February 28, 2019. The operating surplus presented at the top of the chart represents the actual financial results of Niagara Regional Housing compared to the operating budget. Since Niagara Regional Housing is required to report its annual surplus using Public Sector Accounting standards (PSAS), a number of adjustments are required in order for the financial results to conform with PSAS. For example, in the operating budget capital projects are recognized when funding is allocated, however in order to conform with PSAS an adjustment is required as capital projects should be expensed over time through amortization, rather than immediately.