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April 16, 2021

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

Dear Ms. Norio,

At their April 16, 2021 meeting, the Niagara Regional Housing Board of Directors passed the following motion as recommended in attached report NRH 7-2021:

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2020 **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, 2020 **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 moving report NRH 7-2021 through proper channels to the Audit Committee.

Sincerely,

Councillor Walter Sendzik
Chair

Subject: 2020 Draft Audited Financial Statements

Report to: Board of Directors of Niagara Regional Housing

Report date: Friday, April 16, 2021

Recommendations

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2020 **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, 2020 **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 purpose of this report is to obtain approval for the 2020 draft audited financial statements of Niagara Regional Housing (Appendix 1).
- 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 which indicates that in Deloitte's opinion the financial information presented, in all material respects, is in accordance with Public Sector Accounting Standards (PSAS).
- No management letter points were received.
- Year-end funding surplus results were reported in report 21-196-4.4 in February 2021 and are consistent with the results reported in these audited financial statements adjusted for accrual accounting presentation required by PSAS.
- As per Financial Reporting and Forecasting Policy (C-F-020), financial statements and/or schedules prepared for Agencies, Boards or Commissions (ABC) will be approved by the governing board of the ABC. Upon NRH Board approval, the NRH CEO and Treasurer will be authorized to sign the auditors' representation letter to obtain the auditors' signed final report. The approved schedule will then be forwarded 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.

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, 2020 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, 2020 and the statement of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended. In addition, Deloitte audit findings report for the year ended December 31, 2020 is attached in Appendix 2.

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

Alternatives Reviewed

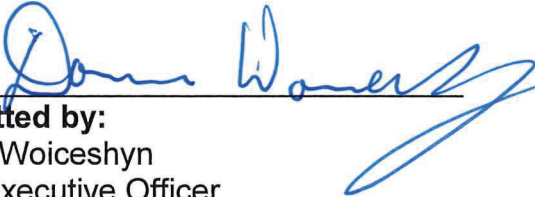
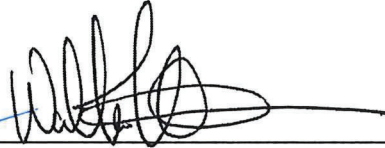
The requirement for an annual audit is established in the Housing Services Act and the Corporations Act for non-profit corporations and therefore no other alternatives are available.

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

21-196-4.4	2020 Year-End Transfer Report
CSD 17-2021	2020 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 Melanie Steele, Associate Director, Program Financial Support.

Appendices

Appendix 1	Draft 2020 Audited Financial Statements
Appendix 2	2020 Deloitte Audit Findings Repot
Appendix 3	2020 Surplus Reconciliation

Financial Statements of Niagara Regional Housing

Year ended December 31, 2020

Niagara Regional Housing

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Independent Auditor's Report

To the Board of Directors of Niagara Regional Housing

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Niagara Regional Housing (the "Organization"), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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
_____, 2021

Niagara Regional Housing

Statement of Financial Position

As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 12,858,591	\$ 12,478,578
Investments	6,476,231	6,399,246
Accounts receivable	4,611,037	4,267,475
Total financial assets	23,945,859	23,145,299
FINANCIAL LIABILITIES		
Due to Niagara Region	8,480,019	12,086,075
Deferred revenue (note 3)	4,779,114	3,789,124
Mortgages and debentures (note 4)	35,374,917	36,356,548
Employee future benefits (note 5)	1,537,805	1,648,252
	50,171,855	53,879,999
Net debt	(26,225,996)	(30,734,700)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	138,349,815	134,582,039
Prepaid expenses and deposits	744,312	718,846
	139,094,127	135,300,885
Commitments (note 9)		
Accumulated surplus (note 7)	\$ 112,868,131	\$ 104,566,185

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, 2020

	2020 Budget (note 11)	2020 Actual	2019 Actual
REVENUES			
Rental revenue	\$ 15,488,979	\$ 15,839,485	\$ 15,292,964
Subsidies			
Niagara Region	42,813,732	42,813,732	38,209,235
Federal and Provincial Government	16,689,685	15,761,117	19,024,147
Investment income	145,000	225,082	334,480
Gain on sale of assets	203	203	-
Development Charge revenue	5,048,354	5,048,354	272,102
Sundry revenue	417,632	271,331	387,348
	80,603,585	79,959,304	73,520,276
Transferred to Niagara Region and transferred to reserves (note 8)	(3,082,927)	(5,183,035)	(6,452,800)
	77,520,658	74,776,269	67,067,476
EXPENSES			
Property taxes	5,156,072	5,181,430	4,966,136
Support services – Niagara Region	2,999,464	2,861,691	3,633,145
Amortization expense	9,068,429	9,068,429	8,521,741
Bad debts	272,100	147,306	132,206
Wages, salaries and benefits	5,104,265	4,931,786	4,893,735
Utilities	4,764,914	4,492,724	4,630,303
Materials and services	5,793,613	6,087,605	6,245,565
Interest on debenture and mortgage payments	883,258	926,305	886,508
Debenture payments (note 9)	1,694,866	1,694,866	2,063,063
Rent supplement program (note 12)	6,571,398	6,324,006	6,032,799
Investment in Affordable Housing (note 13)	185,702	303,216	1,537,537
Administration	1,361,146	983,341	691,469
Supplies and equipment	275,180	231,483	312,806
Non-profit and co-op provider subsidies	19,869,369	19,438,032	19,599,855
Federal provider subsidies	1,069,259	1,080,496	1,121,870
Social Infrastructure Fund	1,014,250	578,268	544,202
Ontario Priorities Housing Initiative (note 14)	902,880	915,880	158,989
Capital Loan and Grant Program	-	200,365	-
Canada-Ontario Community Housing Initiative	505,381	193,127	229,877
Other subsidies	1,389,712	806,614	289,529
Government land lease	41,030	27,353	30,772
	68,922,288	66,474,323	66,522,107
Annual surplus	8,598,370	8,301,946	545,369
Accumulated surplus, beginning of year	104,566,185	104,566,185	104,020,816
Accumulated surplus, end of year	\$ 113,164,555	\$ 112,868,131	\$ 104,566,185

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, 2020

	2020 Budget (note 11)	2020 Actual	2019 Actual
Annual surplus	\$ 8,598,370	\$ 8,301,946	\$ 545,369
Acquisition of tangible capital assets, net of disposals	(12,836,002)	(12,836,002)	(15,605,166)
Amortization of tangible capital assets	9,068,429	9,068,429	8,521,741
Gain on disposal of tangible capital assets	(203)	(203)	-
Change in prepaid expenses	-	(25,466)	(2,035)
Change in net debt	4,830,594	4,508,704	(6,540,091)
Net debt, beginning of year	(30,734,700)	(30,734,700)	(24,194,609)
Net debt, end of year	\$ (25,904,106)	\$ (26,225,996)	\$ (30,734,700)

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

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Niagara Regional Housing

Statement of Changes in Cash Flows

For the year ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 8,301,946	\$ 545,369
Items not involving cash:		
Amortization of tangible capital assets	9,068,429	8,521,741
Gain on disposal of tangible capital assets	(203)	-
Employee future benefit liabilities	(110,447)	(89,848)
Change in non-cash assets and liabilities:		
Accounts receivable	(343,562)	(634,824)
Deferred revenue	989,990	359,704
Prepaid expenses	(25,466)	(2,035)
Net change in cash from operating activities	17,880,687	8,700,107
CAPITAL ACTIVITY		
Cash used to acquire tangible capital assets	(12,836,212)	(15,605,166)
Cash received upon sale of capital assets	210	-
Net change in cash from capital activity	(12,836,002)	(15,605,166)
INVESTING ACTIVITY		
Change in investments	(76,985)	(115,026)
Net change in cash from investing activity	(76,985)	(115,026)
FINANCING ACTIVITIES		
Mortgages and debentures issued	3,300,199	15,170,730
Mortgage and debenture repayments	(4,281,830)	(3,019,363)
Change in due to Niagara Region	(3,606,056)	307,776
Net change in cash from financing activities	(4,587,687)	12,459,143
Net change in cash	380,013	5,439,058
Cash, beginning of year	12,478,578	7,039,520
Cash, end of year	\$ 12,858,591	\$ 12,478,578
Cash paid for interest	926,305	886,508

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, 2020

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 59 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, 2020

2. Significant accounting policies (continued):

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 bonds, 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, 2020

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:

	2020	2019
Ministry of Municipal Affairs and Housing	\$ 4,496,397	\$ 3,549,349
Other	282,717	239,775
Balance, end of year	\$ 4,779,114	\$ 3,789,124

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

4. Mortgages and debentures

Amounts consist of mortgages secured by the income producing properties of the Corporation. As at December 31, 2020 the unpaid balances of these mortgages and debentures are as follows:

	2020	2019
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.60% to 4.65% paid in full during the year	\$ -	\$ 395,092
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.35% to 3.10% due in 2022	397,000	588,000
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.40% to 3.75% due in 2023	731,104	964,123
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 3.30% due in 2024	1,076,338	1,327,814
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.15% to 2.80% due in 2025	1,531,000	1,818,000
Debenture for Niagara Regional Housing capital program bearing interest at 2.25% due in 2025	575,936	683,588
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.40% due in 2026	3,466,881	4,010,505
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.45% due in 2027	1,224,652	1,387,136
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.05% to 3.15% due in 2028	5,550,000	6,165,000
Ontario Infrastructure and Lands Corporation amortization debenture for Niagara Regional Housing capital program bearing interest at 3.74% due in 2042	3,738,595	3,846,560
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.00% to 2.40% due in 2029	13,783,212	15,170,730
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 0.6% to 1.6% due in 2030	3,300,199	-
	\$ 35,374,917	\$ 36,356,548

The annual principal payments are as follows:

2021	\$ 4,253,327
2022	4,333,061
2023	4,215,515
2024	4,053,104
2025	3,875,699
Thereafter	14,644,211
	\$ 35,374,917

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

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.

	2020	2019
Future payments required to WSIB	\$ 1,113,329	\$ 1,203,875
Retiree benefits	91,396	100,788
Vacation pay	317,199	318,928
Other liabilities	15,881	24,661
Employee future benefit liability	\$ 1,537,805	\$ 1,648,252

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

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 480,242	\$ 460,170
Current benefit (recovery) cost	(9,206)	42,303
Interest	5,287	5,560
Benefits paid	(14,710)	(27,791)
Balance, end of year	461,613	480,242
Unamortized actuarial gain	1,076,192	1,168,010
Employee future benefit liability	\$ 1,537,805	\$ 1,648,252

Included in expenses is a \$91,818 (2019 - \$109,920) gain for amortization of the actuarial loss/gain.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

5. Employee future benefit liability (continued)

Information about the Corporation's retiree benefits, which are included in the overall employee future benefit liability noted above, are as follows:

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 86,786	\$ 92,237
Current benefit cost	4,093	3,868
Interest	3,118	3,295
Benefits paid	(11,377)	(12,614)
Balance, end of year	82,620	86,786
Unamortized actuarial gain	8,776	14,002
Employee future benefit liability	\$ 91,396	\$ 100,788

The most recent actuarial valuation was completed as at December 31, 2018 with estimates to December 31, 2021.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

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, 2020, of the present value of future liabilities and the expense for the 12 months ended December 31, 2020, were determined using a discount rate of 3.75% (2019 – 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, 2020 of the present value of future liabilities and the expense for the 12 months ended December 31, 2020 were determined using a discount rate of 3.75% (2019 – 3.75%).

Administration Costs

Administration costs were assumed to be 32% (2019 – 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 (2019 - 2%).

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

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, 2020 of the present value of future liabilities and the expense for the 12 months ended December 31, 2020 were determined using a discount rate of 3.75% (2019 - 3.75%).

Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2019 - 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% (2019 – 2.75%) per year.

Mortality table

The mortality table used in determining the obligation at December 31, 2020 is the Uninsured Pensioners 1994 with mortality improvement projections to 2030 (2019 - Uninsured Pensioners 1994 with mortality improvement projections to 2030).

Notes to the Financial Statements

For the year ended December 31, 2020

6. Tangible capital assets:

2020

	Land	Land Improvements	Building	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	\$ 36,923,582	\$ 7,816,809	\$ 172,055,049	\$ 4,101,353	\$ 3,917,612	\$ 224,814,405
Additions	87	253,180	5,595,151	353,917	6,633,877	12,836,212
Disposals	-	-	(13)	(124,764)	-	(124,777)
Balance, end of year	36,923,669	8,069,989	177,650,187	4,330,506	10,551,489	237,525,840
Accumulated Amortization						
Balance, beginning of year	-	2,072,288	86,232,935	1,927,143	-	90,232,366
Disposals	-	-	(7)	(124,763)	-	(124,770)
Amortization expense	-	376,904	8,371,918	319,607	-	9,068,429
Balance, end of year	-	2,449,192	94,604,846	2,121,987	-	99,176,025
Net Book Value, end of year	\$ 36,923,669	\$ 5,620,797	\$ 83,045,341	\$ 2,208,519	\$ 10,551,489	\$ 138,349,815

Notes to the Financial Statements

For the year ended December 31, 2020

6. Tangible capital assets (continued):

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, 2020

6. Tangible capital assets (continued)

Assets under construction

Assets under construction at December 31, 2020 valued at \$10,551,489 (2019 - \$3,917,612) 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 (2019 - \$NIL).

7. Accumulated Surplus:

Accumulated surplus consists of individual fund surplus as follows:

	2020	2019
Invested in tangible capital assets	\$ 102,974,898	\$ 98,225,491
Capital fund: Unexpended capital financing	10,549,555	7,107,463
Contributed capital	728,761	728,761
Operating fund	152,722	152,722
Unfunded employee future benefits	(1,537,805)	(1,648,252)
Total accumulated surplus	\$ 112,868,131	\$ 104,566,185

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

8. Surplus transferred to Niagara Region

The Corporation had a current year operating surplus of \$654,957 (2019 - \$1,326,502) of which \$Nil (2019 - \$1,185,178) has been transferred to reserves within the Niagara Region held for NRH and \$654,947 (2019 - \$141,324) has been transferred to Niagara Region operations in accordance with the Niagara Region's Surplus/Deficit Policy. In addition, \$1,148,945 (2019 - \$734,583) 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	2020 Total	2019 Total
Reserves held by Niagara Region, beginning of year	\$ 8,228,039	\$ 792,733	\$ 5,987,686	\$ 266,301	\$ 15,274,759	\$ 11,232,150
Transfer of year-end surplus to reserves	-	-	-	-	-	1,185,178
Transfer from the Reserve for capital purposes	(3,050,913)	-	(2,317,482)	-	(5,368,395)	(1,522,285)
Transfer to the Reserve for operating purposes	1,540,927	-	1,542,000	-	3,082,927	3,155,820
Transfer from the Reserve for operating purposes	(250,000)	-	-	(17,000)	(267,000)	(11,999)
Transfer to the Reserve from project closures & budget reductions	236,833	-	59,383	-	296,216	1,235,895
Reserves held by Niagara Region, end of year	\$ 6,704,886	\$ 792,733	\$ 5,271,587	\$ 249,301	\$ 13,018,507	\$ 15,274,759

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 \$5,487,914 (2019 - \$7,123,897) and payments during the year of \$1,694,866 (2019 - \$2,063,063) have been charged to current operations.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

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 of pay. The Corporation accounts for its participation in OMERS as a defined contribution plan. The OMERS Plan ended 2020 with a funding deficit of \$3.2 billion (2019 - \$3.4 billion). The funded ratio remained unchanged at 97% in 2020, and has either stayed the same or increased for the eighth consecutive year.

The amount contributed to OMERS for 2020 was \$376,732 (2019 - \$365,380) for current service and is included as an expenditure on the statement of operations. Employees' contribution to OMERS in 2020 was \$376,732 (2019 - \$365,380).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2019 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$58,700 (2019 - \$57,400) and at a rate of 14.6% (2019 – 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, 2020

11. Budget data

The budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by the NRH Board on October 18, 2019. 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	\$ 67,210,714
Capital	13,392,668
Gain on disposal of tangible capital assets	203
<u>Less:</u>	
Surplus transferred from Niagara Region and transferred from reserves	(3,082,927)
Total revenue	77,520,658
EXPENSES	
Operating	
Approved Operating Expenses	67,210,714
<u>Add:</u>	
Amortization	9,068,429
Expenditures included in capital fund	118,349
<u>Less:</u>	
Employee future benefits	(110,447)
Transfers to reserves	(3,082,927)
Debt principal payments	(4,281,830)
Total expenses	68,922,288
Annual surplus	\$ 8,598,370

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

12. Rent Supplement Program

	Budget	2020	2019
Rent supplement program	\$ 3,315,684	\$ 3,288,737	\$ 3,047,178
In-situ	17,000	20,132	16,557
Strong Communities	1,682,788	1,690,263	1,513,920
Investment in Affordable Housing	215,926	218,822	914,322
Ontario Priority Housing Initiative	800,000	542,636	-
Social Infrastructure Fund	540,000	563,416	540,822
Total, Rent Supplement Program	\$ 6,571,398	\$ 6,324,006	\$ 6,032,799

13. Investment in Affordable Housing

	Budget	2020	2019
New Development Subsidy	\$ -	\$ 10,924	\$ 97,716
Niagara Renovates Payment Assistance	-	96,863	963,658
Housing Allowance	185,702	189,568	296,005
Welcome Home Niagara Down Payment Assistance	-	5,861	180,158
Total, Investment in Affordable Housing	\$ 185,702	\$ 303,216	\$ 1,537,537

14. Ontario Housing Priorities Initiative

	Budget	2020	2019
Niagara Renovates	\$ 545,920	\$ 572,205	\$ 74,194
Housing Allowances	256,960	164,500	-
Home Ownership	100,000	179,175	84,795
Total, Ontario Housing Priorities Initiative	\$ 902,880	\$ 915,880	\$ 158,989

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

15. Subsequent Event – Local 175

Subsequent to the year-end, on March 9, 2021 approval was obtained from the Lieutenant Governor of Ontario for Local 175 UFCW Residences Inc. (“Local 175”), a Non-Profit Housing Corporation, to transfer their operating agreement and all assets belonging to Local 175 to NRH, effective April 30, 2021. The transfer will occur in accordance with the articles of incorporation of Local 175 which require that the divesting of any assets be to another Non-Profit Housing Corporation for a price of \$1 CAD. NRH will assume all assets and liabilities of Local 175 at fair market value on April 30, 2021.

16. Subsequent Event – Service Manager responsibilities

On October 23, 2020, the NRH Board approved the 2021 NRH budget related to the transfer of the administration of all Service Manager responsibilities to the Niagara Region, effective May 30, 2021. The finalized budget allocation between NRH and the Niagara Region was approved by the NRH Board on March 19, 2021 and Regional Council on March 25, 2021. Assets and liabilities related to the Service Manager operations will be transferred to the Niagara Region at their net book value on May 30, 2021. NRH will continue to provide governance, oversight, and financial management and ownership of all owned units.

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Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

17. 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.

18. Comparative Figures

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

Niagara Regional Housing

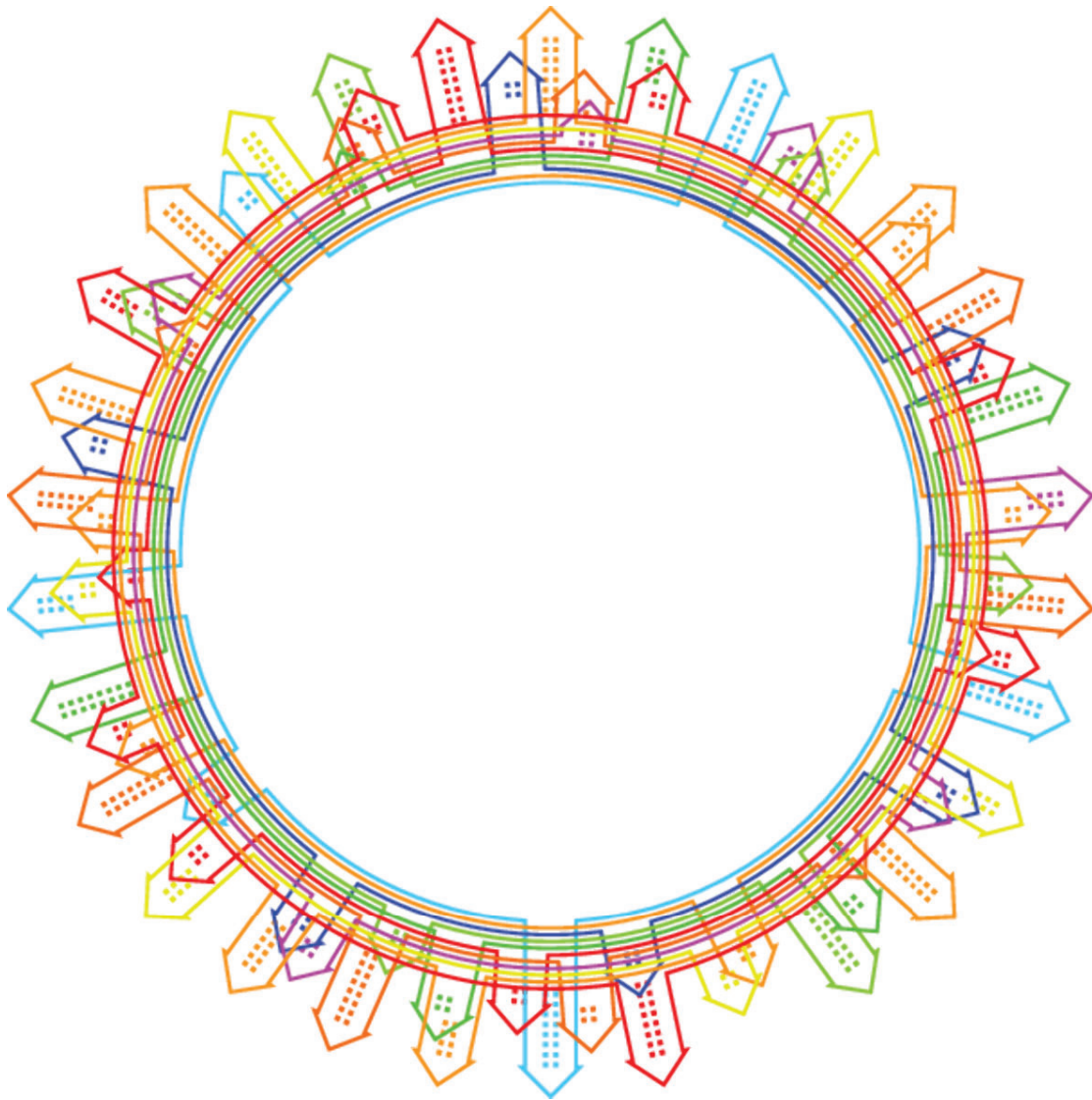
Schedule of Financial Activities – Operating Fund

The Schedule of Financial Activities – Operating Fund is an operating statement that reflects the results of operations that flow through the Operating Fund and therefore exclude capital activities.

For the year ended December 31, 2020

	2020 Budget	2020 Actual	2019 Actual
REVENUES			
Rental revenue	\$ 15,488,979	\$ 15,839,485	\$ 15,292,964
Subsidies			
Niagara Region	37,445,337	37,445,337	36,686,950
Federal and Provincial Government	13,713,766	12,785,199	13,337,304
Investment income	145,000	225,082	334,480
Proceeds from Sale of Assets	-	210	-
Sundry revenue	417,632	271,331	377,149
	67,210,714	66,566,644	66,028,847
EXPENSES			
Property taxes	5,156,072	5,181,430	4,966,136
Support services – Niagara Region	2,999,464	2,861,691	3,633,145
Bad debts	272,100	147,307	132,206
Wages, salaries and benefits	5,104,265	4,931,786	4,893,735
Utilities	4,764,914	4,492,724	4,626,337
Materials and services	5,922,793	6,216,784	5,988,976
Interest on debenture and mortgage payments	883,258	926,305	886,508
Debenture payments (Note 9)	1,694,866	1,694,866	2,063,063
Rent supplement program (Note 12)	6,571,398	6,324,006	6,032,799
Investment in Affordable Housing (Note 13)	185,702	303,216	1,537,537
Administration	1,007,078	629,276	643,665
Supplies and equipment	281,719	238,022	323,531
Non-profit and co-op provider subsidies	19,869,369	19,438,032	19,599,855
Federal provider subsidies	1,069,259	1,080,496	1,121,870
Social Infrastructure Fund	1,014,250	578,268	544,202
Ontario Priorities Housing Initiative (Note 14)	902,880	915,880	158,989
Capital Loan and Grant Program	-	200,365	-
Canada-Ontario Community Housing Initiative	505,381	193,127	229,877
Other subsidies	1,389,712	806,614	289,529
Government land lease	41,030	27,353	30,772
	59,635,510	57,187,548	57,702,732
Annual surplus	7,575,204	9,379,096	8,326,115
Financing and transfer			
Transfer to reserves (note 8)	(3,082,927)	(4,231,872)	(3,890,402)
Transfer to Niagara Region (note 8)	-	(654,947)	(1,326,502)
Transfer to capital	(100,000)	(100,000)	-
Debt principal payments	(4,281,830)	(4,281,830)	(3,019,363)
Employee benefits	(110,447)	(110,447)	(89,848)
	(7,575,204)	(9,379,096)	(8,326,115)
Operating fund balance, end of year	\$ -	\$ -	\$ -

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



Niagara Regional Housing

Report to the Board of Directors on
the 2020 audit

March 26, 2021

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 2020 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 subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020, we have performed an audit of the financial statements of Niagara Regional Housing as at and for the year ended December 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

This report is intended solely for the information and use of the Board of Directors (the "Board"), 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 LLP"

Chartered Professional Accountants
Licensed Public Accountants

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Executive summary



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, 2020. 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 master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020. We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.



Audit risks

- 1 Revenue and deferred revenue
- 2 Management override of controls



Uncorrected misstatements

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 expenses.

We are required to inform the Board of Directors of any uncorrected misstatements identified in our audit that are 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 request that all misstatements be corrected. There are no uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented to report.



Outstanding Matters & Next Steps

Completion of our subsequent events procedures

Receipt of signed Management's representation letter



Going concern

Management has completed its assessment of the ability of the Organization to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Organization's ability to continue as a going concern. We agree with management's assessment.

**Results**

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of the Organization for the year ended December 31, 2020 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board.

Audit risks

The 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	Our audit response	Audit results
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.	<ul style="list-style-type: none"> 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. 	We obtained sufficient audit evidence to conclude that there were no material misstatements.

Management override of controls*

Audit risk	Our audit response	Audit results
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.	<ul style="list-style-type: none"> 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. 	We obtained sufficient audit evidence to conclude that there were no material misstatements.

* These areas have been identified as areas of significant risk.

Significant events including subsequent events

The design of our audit plan began with a reassessment of risk areas from last year's audit. We have identified a few significant developments or factors that impacted our current year risk assessment. This is an overview of how these additional developments impacted our audit plan and the results of the audit work we performed.

COVID-19

Impact on our 2020 audit

Due to the ongoing COVID-19 pandemic, the audit work was performed remotely, and the risk assessment and analytical procedures were considered with the potential impact of the pandemic in mind. Despite the audit taking place in a remote work environment, we were able to obtain sufficient evidence for our audit and controls testing with minimal delay. There were no significant changes to the nature of our audit procedures as a result.

Capital Loan and Grant Program

Impact on our 2020 audit

During the 2020 year, the Organization began the Capital Loan and Grant Program to assist non-profit and co-operative housing providers. For the loans and grants advanced during the year, we viewed the associated terms of the agreement as well as support for the advances made. The 2020 expenses related to the Capital Loan and Grant Program are included in the Statement of operations on the Financial Statements.

Subsequent events

Impact on our 2020 audit

Subsequent to the year-end, the Organization agreed to assume all assets and liabilities of another Non-Profit Housing Corporation. We obtained the transfer agreement and agreed the details to the information disclosed in Note 15 to the Financial Statements.

Additionally, during the 2020 year, the Board approved the transfer of the administration of all Service Manager responsibilities to the Regional Municipality of Niagara, which will become effective subsequent to December 31, 2020. We obtained support for the approval of the transfer and agreed the details to the information disclosed in Note 16 to the Financial Statements.

Significant accounting policies, judgments and estimates

The accounting policies described below are those that are most important and representative of the Organization's financial condition and financial performance.

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.

The significant accounting policies of the Organization are disclosed in Note 2 to the financial statements.

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the Organization.

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, 2020, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the Organization.

Appendix 1 – Communication requirements and other reportable matters

Required communication	Reference	Refer to this report or document described below
Audit service plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14	Refer to our master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks 	CAS 260.15	Refer to our master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020.
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	None.
Enquiries of those charged with governance		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.21	We are not aware of any fraudulent events.
5. Any known suspected or alleged fraud affecting the Organization	CAS 240.22	None noted.
6. Whether the Organization is in compliance with laws and regulations	CAS 250.15	No concerns noted.
Year end communication		
7. Modification to our audit plan and strategy	CAS 260.A26	None.
8. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events.
9. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	See page 4 of this report.

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	None
11. Matters related to going concern	CAS 570.25	We concluded that there was no substantial doubt about the Organization's ability to continue as a going concern.
12. Management judgments and accounting estimates	CAS 260.16 a.	See page 4 of this report.
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	No significant difficulties to report.
14. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Refer to our master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020 and Draft management representation letter included as Appendix 2.
15. Circumstances that affect the form and the content of the auditor's report	CAS 260.16.d.	None.
16. Modifications to our opinion(s)	CAS 260.A21	None.
17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A22	No such consultations noted.
18. Significant matters discussed with management	CAS 260.A.22	None.
19. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention	CAS 250.23	We are not aware of any illegal acts or matters involving non-compliance with laws and regulations.
20. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No significant deficiencies to report.
21. Uncorrected misstatements and disclosure items	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements or uncorrected disclosure to report.
Other reportable matters		
22. Any significant matters arising during the audit in connection with the Organization's related parties	CAS 550.27	None noted.

Appendix 2 – Draft management representation letter

[Organization letterhead]

March 26, 2021

Deloitte LLP
5500 North Service Road, Suite 700
Burlington ON L7L 6W6

**Subject: Financial statements of Niagara Regional Housing for the year ended
December 31, 2020**

Dear Mr. Ferguson:

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Niagara Regional Housing (the "Organization" or "we" or "us") as of and for the year ended December 31, 2020, the notes to the financial statements and a summary of significant accounting policies (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Organization in accordance with Public Sector Accounting Standards ("PSAS").

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement between the Organization and Deloitte dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Organization as at December 31, 2020 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Organization has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2020 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2020 and up to the date of this letter.
5. The Financial Statements are free of material errors and omissions.

Internal controls

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

8. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and,
 - d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
10. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
11. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Organization.
12. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
13. We have disclosed to you the identities of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

14. Prior to the Organization having any substantive employment conversations with a former or current Deloitte engagement team member, the Organization has held discussions with Deloitte and obtained approval from the Board of Directors.

Other matters

Except where otherwise stated below, immaterial matters less than \$398,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

15. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
16. The Organization has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
17. There are no instances of identified or suspected noncompliance with laws and regulations.
18. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.
19. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Organization has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. The Organization has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Plans or intentions affecting carrying value/classification of assets and liabilities

23. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Fair value

24. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
- The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS.
 - No events have occurred subsequent to December 31, 2020 that require adjustment to the fair value measurements and disclosures included in the Financial Statements.
 - They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Organization when relevant to the use of fair value measurements or disclosures.

Loans and receivables

25. The Organization is responsible for determining and maintaining the adequacy of the allowance for doubtful loans and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
26. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Employee future benefits

27. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under termination arrangements.

Accounting policies

28. The accounting policies selected and application of those policies are appropriate.

Various matters

29. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. losses arising from sale and purchase commitments;
 - b. agreements to buy back assets previously sold;
 - c. provisions for future removal and site restoration costs;
 - d. financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
 - e. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
 - f. all impaired loans receivable;
 - g. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Yours truly,

Niagara Regional Housing

Donna Woiceshyn
Chief Executive Officer

Appendix 3: 2020 Surplus Reconciliation

	<u>Approved Budget</u>	<u>2020</u>	<u>2019</u>
Based on budget approach			
Niagara Regional Housing Operating Surplus per CSD 17-2021	\$ -	\$ 654,947	\$ 1,326,502
PSAS Presentation Adjustments:			
Capital			
Recognize amortization	(9,068,429)	(9,068,429)	(8,521,741)
Recognize in year capital program revenues	13,392,668	13,392,459	7,491,428
Recognize expenditures included in capital fund	(118,349)	(118,349)	(297,635)
Recognize gain on sale of assets	203	203	-
Capital Subtotal	<u>4,206,093</u>	<u>4,205,885</u>	<u>(1,327,947)</u>
Funded			
Remove principal debt repayments	4,281,830	4,281,830	3,019,363
Remove net transfers to reserves	-	(951,163)	(2,562,397)
Funded Subtotal	<u>4,281,830</u>	<u>3,330,667</u>	<u>456,966</u>
Unfunded			
Recognize change in unfunded employee future benefits liability	110,447	110,447	89,848
Unfunded Subtotal	<u>110,447</u>	<u>110,447</u>	<u>89,848</u>
Annual surplus per PSAS financial statements	<u>8,598,370</u>	<u>\$ 8,301,946</u>	<u>\$ 545,369</u>

A balanced operating budget was approved by Council on December 12, 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.