



Niagara Regional Housing

Report to the Board of Directors on the 2021 audit

March 28, 2022

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 2021 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, November 12, 2020 and February 10, 2022, we have performed an audit of the financial statements of Niagara Regional Housing as at and for the year ended December 31, 2021, 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, 2021. 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, November 12, 2020, and February 10, 2022.

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
- 3 Alternative Service Delivery – Transfer

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



Going concern

Completion of our subsequent events procedures

Receipt of signed Management’s representation letter

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, 2021 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
<p>Assurance standards include the presumption of a significant risk of management override of controls.</p> <p>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.</p>	<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. 	<p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>

Alternative Service Delivery – Transfer

Audit risk	Our audit response	Audit results
Determine the appropriate account balances were transferred out of NRH as of the transfer date. Determine the appropriate calculation of the gain or loss on transfer.	<ul style="list-style-type: none"> ● We obtained the Board of Directors' approval of the transfer, including the specific account balances to be transferred. ● We compared the transfer values to the balances per the trial balance as at the transfer date. ● We recalculated the gain or loss on transfer. ● We assessed the appropriateness of the financial statements disclosures. 	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

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 2021 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.

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, 2021, 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, November 12, 2020 and February 10, 2022.
2. An overview of the overall audit strategy, addressing: <ol style="list-style-type: none"> Timing of the audit 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, November 12, 2020 and February 10, 2022.
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.

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
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 5 of this report.
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 5 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, November 12, 2020, and February 10, 2022 and Draft management representation letter included as Appendix 2.

Required communication	Reference	Refer to this report or document described below
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]

April 22, 2022

Trevor Ferguson
Deloitte LLP
400 Applewood Crescent, Suite 500
Vaughan, ON L4K 0C3

**Subject: Financial statements of Niagara Regional Housing for the year ended
December 31, 2021**

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, 2021, 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, November 12, 2020 and February 10, 2022 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, 2021 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, 2021 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, 2021 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 \$430,000 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:
 - a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS.
 - b. No events have occurred subsequent to December 31, 2021 that require adjustment to the fair value measurements and disclosures included in the Financial Statements.
 - c. 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