

**Financial Statements of
Niagara Regional Housing**

Year ended December 31, 2022

Draft

Niagara Regional Housing

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Draft

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, 2022, 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, 2022, 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
Date

Niagara Regional Housing

Statement of Financial Position

As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash	\$ 4,762,916	\$ 10,245,414
Investments	1,225	6,495,411
Accounts receivable	6,352,372	4,639,919
Due from Niagara Region	3,778,005	3,294,272
Total financial assets	14,894,518	24,675,016
FINANCIAL LIABILITIES		
Deferred revenue (note 3)	3,191,535	10,823,118
Mortgages and debentures (note 4)	38,761,565	41,875,199
	41,953,100	52,698,317
Net debt	(27,058,582)	(28,023,301)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	173,029,706	164,483,880
Prepaid expenses and deposits	-	161,196
	173,029,706	164,645,076
Commitments (note 7)		
Accumulated surplus (note 6)	\$ 145,971,124	\$ 136,621,775

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, 2022

	2022 Budget (note 8)	2022 Actual	2021 Actual
REVENUES			
Rental revenue	\$ 16,635,760	\$ 17,635,059	\$ 15,711,016
Subsidies			
Niagara Region	19,198,340	19,785,599	26,500,121
Federal and Provincial Government	9,321,321	9,321,321	14,020,780
Investment income	84,000	273,394	128,744
Contributed tangible capital assets	-	-	10,340,712
Development charge revenue	2,544,112	2,544,112	7,899,429
Sundry revenue	297,593	400,048	1,184,254
	48,081,126	49,959,533	75,785,056
Gain on restructuring of Service Manager Responsibilities	-	-	1,434,654
Transferred to Niagara Region and reserves	(2,589,045)	(3,342,156)	(4,817,308)
	45,492,081	46,617,377	72,402,402
EXPENSES			
Property taxes	5,661,588	5,752,202	5,407,653
Support services – Niagara Region	5,050,469	4,977,762	4,279,749
Amortization expense	9,885,445	9,885,445	9,171,477
Bad debts	161,000	218,812	144,609
Wages, salaries and benefits	334,880	346,268	2,348,566
Utilities	5,141,635	5,118,812	4,510,801
Materials and services	6,548,311	7,802,076	6,690,280
Interest on debenture and mortgage payments	810,477	958,195	975,778
Debenture payments (note 7)	1,215,971	1,215,971	1,538,329
Affordable housing programs	-	-	12,338,127
Administration	1,103,980	738,300	914,353
Supplies and equipment	160,577	196,865	247,782
Government land lease	57,320	57,320	81,254
	36,131,653	37,268,028	48,648,758
Annual surplus	9,360,428	9,349,349	23,753,644
Accumulated surplus, beginning of year	136,621,775	136,621,775	112,868,131
Accumulated surplus, end of year	\$145,982,203	\$145,971,124	\$136,621,775

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, 2022

	2022 Budget (note 8)	2022 Actual	2021 Actual
Annual surplus	\$ 9,360,428	\$ 9,349,349	\$ 23,753,644
Acquisition of tangible capital assets, net of disposals	(18,431,271)	(18,431,271)	(35,305,542)
Amortization of tangible capital assets	9,885,445	9,885,445	9,171,477
Change in prepaid expenses	-	161,196	583,116
Change in net debt	814,602	964,719	(1,797,305)
Net debt, beginning of year	(28,023,301)	(28,023,301)	(26,225,996)
Net debt, end of year	\$ (27,208,699)	\$ (27,058,582)	\$ (28,023,301)

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

Niagara Regional Housing

Statement of Changes in Cash Flows

For the year ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus	\$ 9,349,349	\$ 23,753,644
Items not involving cash:		
Amortization of tangible capital assets	9,885,445	9,171,477
Contributed tangible capital assets	-	(10,340,712)
Gain on restructuring of Service Manager Responsibilities	-	(1,434,654)
Employee future benefit liabilities	-	(103,151)
Change in non-cash assets and liabilities:		
Accounts receivable	(1,712,453)	(28,882)
Deferred revenue	(7,631,583)	6,044,004
Prepaid expenses	161,196	583,116
Net change in cash from operating activities	10,051,954	27,644,842
CAPITAL ACTIVITY		
Cash used to acquire tangible capital assets	(18,431,271)	(24,964,830)
Net change in cash from capital activity	(18,431,271)	(24,964,830)
INVESTING ACTIVITY		
Change in investments	6,494,186	(19,180)
Net change in cash from investing activity	6,494,186	(19,180)
FINANCING ACTIVITIES		
Mortgages and debentures issued	2,302,506	10,956,128
Mortgage and debenture repayments	(5,416,140)	(4,455,846)
Change in due from Niagara Region	(483,733)	(11,774,291)
Net change in cash from financing activities	(3,597,367)	(5,274,009)
Net change in cash	(5,482,498)	(2,613,177)
Cash, beginning of year	10,245,414	12,858,591
Cash, end of year	\$ 4,762,916	\$ 10,245,414
Cash paid for interest	\$ 958,195	\$ 975,778

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, 2022

1. Description of operations

Niagara Regional Housing (the “Corporation” or “NRH”) 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.

On May 30, 2021, the Corporation transferred Program Manager responsibilities back to the Regional Municipality of Niagara (“Niagara Region”). NRH continues to be responsible for duties including, but not limited to, ownership and management of a real estate portfolio consisting of 3,029 apartments and houses and the power to purchase, construct or make alterations to a housing project.

2. Significant accounting policies

The financial statements of 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 in the year in which they are earned and measurable. 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.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

2. Significant accounting policies (continued):

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.

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.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

2. Significant accounting policies (continued):

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 accrued liabilities and useful lives of tangible capital assets. Actual results could differ from these estimates.

3. Deferred revenue

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

	2022	2021
Canada Mortgage and Housing Corporation	2,850,948	10,515,033
Other	340,587	308,085
Balance, end of year	\$ 3,191,535	\$ 10,823,118

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

4. Mortgages and debentures

Amounts consist of mortgages secured by the income producing properties of the Corporation. As at December 31, 2022 the unpaid balances of these mortgages and debentures are as follows:

	2022	2021
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.35% to 3.10% due in 2022	-	202,000
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.40% to 3.75% due in 2023	249,127	492,800
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 3.30% due in 2024	553,804	818,593
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.15% to 2.80% due in 2025	940,000	1,239,000
Debenture for Niagara Regional Housing capital program bearing interest at 2.25% due in 2025	353,261	465,843
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.40% due in 2026	2,354,883	2,915,320
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.45% due in 2027	891,957	1,059,725
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.05% to 3.15% due in 2028	4,274,000	4,920,000
Ontario Infrastructure and Lands Corporation amortization debenture for Niagara Regional Housing capital program bearing interest at 3.74% due in 2042	3,510,282	3,626,553

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

	2022	2021
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.00% to 2.40% due in 2029	10,946,524	12,377,726
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 0.6% to 1.6% due in 2030	2,714,690	3,004,030
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 0.4% to 2.1% due in 2031	7,415,000	8,196,840
Mortgage payable, secured by a rental property, a general assignment for rent and a chattel mortgage, interest at a rate of 2.66%, due in 2024	2,255,530	2,556,769
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 3.4% to 4.2% due in 2032	2,302,507	-
	\$ 38,761,565	\$ 41,875,199

The annual principal payments are as follows:

Year	Amount
2023	\$ 5,508,872
2024	6,993,513
2025	4,884,136
2026	4,592,267
2027	4,072,629
Thereafter	12,710,148
Total principal payments	\$ 38,761,565

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

5. Tangible capital assets:

	2022					
	Land	Land Improvements	Building	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	\$42,633,005	\$9,725,065	\$190,351,298	\$4,265,065	\$23,124,474	\$270,098,907
Additions	98,002	1,553,909	27,143,232	1,430,228	(11,794,100)	\$18,431,271
Disposals	-	-	-	-	-	-
Balance, end of year	\$42,731,007	\$11,278,974	\$217,494,530	\$5,695,293	\$11,330,374	\$288,530,178
Accumulated Amortization						
Balance, beginning of year	-	\$2,757,431	\$100,533,360	\$2,324,236	-	\$105,615,027
Disposals	-	-	-	-	-	-
Amortization expense	-	500,266	9,044,351	340,828	-	9,885,445
Balance, end of year	-	\$3,257,697	\$109,577,711	\$2,665,064	-	\$115,500,472
Net Book Value, end of year	\$42,731,007	\$8,021,277	\$107,916,819	\$3,030,229	\$11,330,374	\$173,029,706

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

5. Tangible capital assets (continued):

	2021					
	Land	Land Improvements	Building	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	\$36,923,669	\$8,069,989	\$177,650,187	\$4,330,506	\$10,551,489	\$237,525,840
Additions	5,709,336	1,782,387	15,191,290	49,544	12,572,985	35,305,542
Disposals	-	(127,312)	(2,490,178)	(114,985)	-	(2,732,475)
Balance, end of year	42,633,005	9,725,064	190,351,299	4,265,065	23,124,474	270,098,907
Accumulated Amortization						
Balance, beginning of year	-	2,449,192	94,604,846	2,121,987	-	99,176,025
Disposals	-	(127,312)	(2,490,178)	(114,985)	-	(2,732,475)
Amortization expense	-	435,551	8,418,692	317,234	-	9,171,477
Balance, end of year	-	2,757,431	100,533,360	2,324,236	-	105,615,027
Net Book Value, end of year	\$42,633,005	\$6,967,633	\$89,817,939	\$1,940,829	\$23,124,474	\$164,483,880

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

5. Tangible capital assets (continued)

Assets under construction

Assets under construction at December 31, 2022 valued at \$11,330,374 (2021 - \$23,124,474) 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 (2021 - \$nil).

6. Accumulated Surplus:

Accumulated surplus consists of individual fund surplus as follows:

	2022	2021
Invested in tangible capital assets	\$ 134,268,141	\$ 122,608,681
Capital fund: Unexpended capital financing	11,550,262	13,131,611
Operating fund	152,722	881,483
Total accumulated surplus	\$ 145,971,124	\$ 136,621,775

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

7. 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 \$2,845,149 (2021 - \$4,127,743) and payments during the year of \$1,215,971 (2021 – \$1,538,329) have been charged to current operations.

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Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

8. Budget data

The budget data presented in these financial statements is based upon the 2022 operating and capital budgets approved by the NRH Board on October 15, 2021. 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	\$ 33,911,034
Capital	14,170,092
<u>Less:</u>	
Surplus transferred from Niagara Region and transferred from reserves	(2,589,045)
Total revenue	45,492,081
EXPENSES	
Operating	
Approved Operating Expenses	33,911,034
<u>Add:</u>	
Amortization	9,885,445
Expenditures included in capital fund	345,459
<u>Less:</u>	
Employee future benefits	-
Transfers to reserves	(2,589,045)
Transfers to capital	(5,100)
Debt principal payments	(5,416,140)
Total expenses	36,131,653
Annual surplus	\$ 9,360,428

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2022

9. 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.

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Niagara Regional Housing

Schedule of Financial Activities – Operating Fund

For the year ended December 31, 2022

This schedule is an operating statement that reflects the results of operations that flow through the Operating Fund and therefore exclude capital activities.

	2022 Budget	2022 Actual	2021 Actual
REVENUES			
Rental revenue	\$16,635,760	\$17,635,059	\$15,711,016
Subsidies			
Niagara Region	16,149,340	16,115,971	24,285,549
Federal and Provincial Government	814,091	814,091	6,577,243
Investment income	84,000	273,394	128,744
Sundry revenue	227,843	330,298	352,468
	33,911,034	35,168,813	47,055,020
EXPENSES			
Property taxes	5,628,345	5,718,959	5,386,125
Support services – Niagara Region	5,050,469	4,977,762	4,279,749
Bad debts	161,000	218,812	144,609
Wages, salaries and benefits	334,880	346,268	2,348,567
Utilities	5,125,874	5,103,051	4,504,346
Materials and services	6,602,270	7,856,036	6,829,506
Interest on debenture and mortgage payments	810,477	958,195	975,778
Debenture payments (note 7)	1,215,971	1,215,971	1,538,329
Administration	776,095	410,415	480,731
Supplies and equipment	138,048	174,336	221,870
Affordable housing programs	-	-	12,338,127
Government land lease	57,320	57,320	81,254
	25,900,749	27,037,125	39,128,991
Annual surplus	8,010,285	8,131,688	7,926,029
FINANCING AND TRANSFERS			
Transfer to reserves	(2,589,045)	(3,331,077)	(3,496,188)
Transfer to/from Niagara Region	-	620,629	102,157
Transfer to capital	(5,100)	(5,100)	-
Debt principal payments	(5,416,140)	(5,416,140)	(4,455,846)
Employee benefits	-	-	(103,151)
	(8,010,285)	(8,131,688)	(7,926,029)
Operating fund balance, end of year	\$ -	\$ -	\$ -

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