

Financial Statements of

**GREATER SADBURY
HOUSING CORPORATION**

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Greater Sudbury Housing Corporation

We have audited the accompanying financial statements Greater Sudbury Housing Corporation, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in note 1 to the financial statements, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Greater Sudbury Housing Corporation as at December 31, 2017 and its results of operations, changes in net financial assets and its cash flows for the year then ended in accordance with the basis of accounting in note 1 to the financial statements.

Basis of Presentation and Restriction on Use

These financial statements have not been, and were not intended to be, prepared in accordance with Canadian public sector accounting standards and are solely for the information and use of the Board of Directors of the Greater Sudbury Housing Corporation and the City of Greater Sudbury to comply with accounting policies as specified by the Greater Sudbury Housing Corporation's Municipal Service Manager. These financial statements are not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

April 16, 2018

GREATER SUDBURY HOUSING CORPORATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash	\$ 1,165,000	\$ 666,945
Pooled investment fund (note 2)	-	530,927
Restricted cash (note 3)	1,069,614	373,630
Tenant accounts receivable	94,664	238,168
Other accounts receivable	401,354	346,882
Advances from City of Greater Sudbury (note 4)	1,306,823	91,019
	<u>4,037,455</u>	<u>2,247,571</u>
Financial Liabilities		
Accounts payable and accrued liabilities	1,400,999	1,031,830
Accrued payroll and employee benefits	210,624	235,286
Tenant prepaid rents	187,858	181,011
	<u>1,799,481</u>	<u>1,448,127</u>
Net financial assets	2,237,974	799,444
Non-financial assets:		
Prepaid expenses	261,871	264,434
Share capital:		
Authorized:		
Unlimited common shares		
Issued:		
100 common shares	1	1
Commitments (note 7)		
Accumulated surplus (note 6)	<u>\$ 2,499,846</u>	<u>\$ 1,063,879</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Board Member

_____ Board Member

GREATER SADBURY HOUSING CORPORATION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget	Total	Total
	2017	2017	2016
Revenue:			
Rental	\$ 6,900,500	\$ 6,886,011	\$ 6,884,305
Maintenance recoveries	155,500	202,272	223,284
Sundry	248,054	430,411	294,108
Interest	16,500	38,717	23,680
Management services	161,537	158,743	176,215
City of Greater Sudbury:			
Local housing subsidy	10,264,145	10,264,145	9,930,377
Regular Rent Supplement Program administration fee	78,200	78,200	78,200
Strong Communities Rent Supplement Program	12,300	456,493	501,858
Special Capital Projects	-	1,679,722	502,938
	17,836,736	20,194,714	18,614,965
Expenses:			
Salaries and benefits	4,226,913	4,006,535	3,998,055
Utilities (note 8)	3,762,223	3,453,992	3,542,914
Capital	2,730,943	3,677,669	3,502,837
Rent Supplement Program	3,158,435	3,524,028	3,482,089
Property maintenance and operations (note 9)	2,635,438	2,619,135	2,671,636
Administration (note 9)	683,243	668,481	634,422
Transportation and communication	233,546	218,684	245,538
Bad debts	257,000	405,262	231,742
Tenant services	148,995	168,967	137,044
Loss on disposal of pooled investment fund	-	15,994	-
	17,836,736	18,758,747	18,446,277
Excess of revenue over expenses	\$ -	\$ 1,435,967	\$ 168,688

See accompanying notes to financial statements.

GREATER SUDBURY HOUSING CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Excess of revenue over expenses	\$ 1,435,967	\$ 168,688
Change in prepaid expenses	2,563	11,127
Change in net financial assets	1,438,530	179,815
Net financial assets, beginning of year	799,444	619,629
Net financial assets, end of year	\$ 2,237,974	\$ 799,444

See accompanying notes to financial statements.

GREATER SUDBURY HOUSING CORPORATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,435,967	\$ 168,688
Changes in non-cash working capital items:		
Decrease (increase) in tenant accounts receivable	143,504	(43,212)
Increase in other accounts receivable	(54,472)	(13,196)
Increase in advances from City of Greater Sudbury	(1,215,804)	(91,019)
Increase (decrease) in accounts payable and accrued liabilities	369,169	(104,591)
Increase (decrease) in accrued payroll and employee benefits	(24,662)	41,829
Increase (decrease) in tenant prepaid rents	6,847	(23,995)
Decrease in prepaid expenses	2,563	11,127
Net change in operating activities	663,112	(54,369)
Investing activities:		
Change in pooled investment fund	530,927	(21,320)
Net change in investing activities	530,927	(21,320)
Increase (decrease) in cash during the year	1,194,039	(75,689)
Cash, beginning of year	1,040,575	1,116,264
Cash, end of year	\$ 2,234,614	\$ 1,040,575
Cash is represented by:		
Restricted cash	\$ 1,069,614	\$ 373,630
Cash	1,165,000	666,945
	\$ 2,234,614	\$ 1,040,575
Supplementary information:		
Interest received	\$ 38,717	\$ 23,680

See accompanying notes to financial statements.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

Greater Sudbury Housing Corporation (“the Corporation”) was incorporated under the Ontario Business Corporations Act on December 14, 2000. Its principal activity is the provision of socially assisted housing for the City of Greater Sudbury.

The Corporation is a municipal corporation pursuant to paragraph 149(1)(d.5) of the Income Tax Act (Canada) and is, therefore, exempt from income taxes, having met certain requirements of the Income Tax Act (Canada).

1. Summary of significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the policies as determined by the Corporation's Municipal Service Manager, the City of Greater Sudbury. The basis of accounting used in these financial statements materially differs from Canadian public sector accounting standards because:

- i) capital assets purchased and betterments which extend the estimated life of an asset, are expensed in the statement of operations in the year the expenditure is incurred rather than being capitalized on the statement of financial position and amortized over their estimated useful lives (see schedule 2). Tangible capital asset additions are capitalized in the schedule of tangible capital assets only if they exceed a \$50,000 threshold; and
- ii) inventory of parts and supplies are expensed in the statement of operations in the year the expenditure is incurred.

(b) Cash and restricted cash:

Cash and restricted cash include cash on hand and demand deposits that are readily convertible into known amounts of cash and subject to insignificant risk of change in value.

(c) Pooled investment fund:

The Corporation invests in the Social Housing Canadian Bond Fund. This investment is measured at cost less any writedowns associated with a loss in value that is other than a temporary decline. A writedown of a pooled investment fund is not reversed for a subsequent increase in value.

(d) Prepaid expenses:

Prepaid expenses are charged to expenses over the periods expected to benefit from them.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

1. Summary of significant accounting policies (continued):

(e) Capital assets:

Capital assets are stated at cost, less accumulated amortization, and are amortized based on the estimated useful life of each individual component on a straight-line basis over the following periods:

High-rise residential units:	
Interior, exterior and roof	20 years
Structure	50 years
Electrical	30 years
Mechanical	25 years
Site improvements	15 years
Multi-residential units	20 years
Single-family residential houses	20 years
Equipment and vehicles	10 years

(f) Accumulated surplus:

Certain amounts, as approved by the Board of Directors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

The accumulated surplus consists of the following:

- Operating reserve:

This reserve is not restricted and maybe utilized for the operating activities of the Corporation pending Board of Directors and Service Manager approval.

- Capital reserve:

This reserve is restricted and can only be used for capital projects that have been approved by the Board of Directors and approved by the Service Manager.

- Rent supplement reserve:

This reserve is restricted and can only be used for expenses related to the Rent Supplement Program as approved by the Service Manager.

(g) Subsidy refundable:

The local housing subsidy is recognized based on the approved fiscal allocation by the City of Greater Sudbury. Subsidies may be recovered by the City of Greater Sudbury based on an annual reconciliation performed subsequent to year-end. The recoveries are reported in the year of recovery as an adjustment to local housing subsidy revenue.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

1. Summary of significant accounting policies (continued):

(h) Revenue recognition:

Revenues are recognized in the year in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Local housing subsidy revenue from the City of Greater Sudbury is recognized in the period in which the events giving rise to the government transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government; and the amount can reasonably be estimated. Funding received under a funding arrangement, which relates to a subsequent fiscal period and the unexpended portions of contributions received for specific purposes, is reflected as deferred revenue in the year of receipt and is recognized as revenue in the period in which all the recognition criteria have been met.

Rental revenue is recognized as revenue during the month of occupancy by members.

Management services revenue is recognized when the service has been performed and collectability is reasonably assured.

(i) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(j) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the valuation allowances for tenant accounts receivable and other accounts receivable.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

2. Pooled investment fund:

As at December 31, 2017, the cost of the Corporation's pooled investment fund is \$Nil (2016 - \$530,927) and the fair value was \$Nil (2016 - \$523,765).

3. Restricted cash:

Under the terms of the service manager agreement, the Corporation is required to restrict cash for specific purposes as follows:

	2017	2016
Operating reserve	\$ 777,180	303,991
Rent supplement reserve	292,420	69,638
Capital reserve	14	1
	\$ 1,069,614	373,630

4. Advances from City of Greater Sudbury:

The advances are comprised of the following:

	2017	2016
Social Housing Apartment Retrofit Program	\$ 680,760	(24,723)
Social Housing Improvement Program	625,713	7,359
Operating subsidy	350	–
Additional capital funding	–	108,383
	\$ 1,306,823	91,019

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

5. Tangible capital assets:

Pursuant to a transfer order made under the Social Housing Reform Act, all assets, liabilities, rights and obligations with respect to the provincially operated local housing authority were transferred from Ontario Housing Corporation to the Corporation, effective January 1, 2001. The transfer included all social housing units including land and buildings, but did not include the associated debentures.

Street Address	Other Name	Units
Cabot/Burton/Hearne	Cabot Park	88
3553 Montpellier, Chelmsford	The Rosemount	41
1950 Lasalle Boulevard	Place Hurtubise	106
744 Bruce Street	Ryan Heights	150
1960 B Paris Street	401 Rumball Terrance	204
1960 A Paris Street	201 Rumball Terrance	101
1052 Belfry Street	Eddie Lapierre Building	101
1920 Paris Street	The Towers	101
27 Hanna Street, Capreol	Dennie Court	20
Catherine and Maplewood Streets, Garson		3
720 Bruce Avenue	The Balmoral	251
Charette Street, Chelmsford		8
O'Neill Drive, Garson		6
241 Second Avenue North	Birkdale Village	70
1778 LaSalle Boulevard	Keewatin Court	30
1200 Attlee Avenue	MCormack Court	76
159 Louis Street	Fournier Gardens	127
Charlotte and Gaudette Streets, Chelmsford		20
166 Louis Street		50
1528 Kennedy Street		20
155 Lapointe Street, Hanmer	Place Royale	27
35 Spruce Street, Garson	Spruce Villa	24
240 B Street, Lively		26
242 Colonial Court	Colonial Court	12
St. Onge Street, Chelmsford		6
1655 and 1676 Havenbrook Drive		12
715 Burton Avenue		20
491 Camelot Drive	Carmichael Village	42
Scattered units		63
Scattered units		43
		1,848

In addition, two parcels of vacant land, which currently do not have any buildings on them, were also transferred to the Corporation.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

6. Accumulated surplus:

	Operating Reserve	Capital Reserve	Rent Supplement Reserve	Total 2017	Total 2016
Balance, beginning of year	\$ 772,743	–	291,136	1,063,879	895,191
Excess of revenue over expenses	448,838	905,853	81,276	1,435,967	168,688
Balance, end of year	\$ 1,221,581	905,853	372,412	2,499,846	1,063,879

At year-end, two projects were not completed as part of the 2017 Approved Capital Program. Approximately \$490,000 of the Capital Reserve will be required to complete the work.

7. Commitments:

The Corporation provides certain employee benefits, which will require funding in future years, and which are not accrued. The value of unaccrued vacation as at December 31, 2017 totals \$57,487 (2016 - \$51,607).

The Corporation enters into various non-cancellable contracts in the ordinary course of business. Payments for these contracts are contractual obligations as scheduled per each agreement. Commitments for minimum payments in relation to non-cancellable contracts as at December 31, 2017 are as follows:

No later than one year	\$ 310,104
Later than one year and no longer than five years	839,552
	<hr/>
	\$ 1,149,656

The Corporation is involved in certain litigation and claims from time to time, which are in the normal course of business. The Corporation records accruals that reflect management's best estimate of any potential liability relating to these claims. In the opinion of management, the Corporation has reasonable arguments to defend against these claims and none would result in an additional liability that would have a significant adverse effect on the Corporation's financial position. However, the Corporation cannot predict with certainty the final outcome of these matters. No accrual has been made as at December 31, 2017 (2016 - \$Nil) for any of these claims.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

8. Utilities:

Utilities expense comprises the following:

	2017	2016
Electricity	\$ 983,509	\$ 1,176,343
Fuel	1,305,086	1,219,897
Gas hot water tank rental	145,116	178,444
Water	1,020,281	968,230
	<u>\$ 3,453,992</u>	<u>\$ 3,542,914</u>

9. Insurance:

Administration expense includes \$76,914 (2016 - \$77,276) of insurance expense and property maintenance and operations expense includes \$288,243 (2016 - \$271,432) of insurance expense.

10. Financial risks and concentration of credit risk:

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Corporation is exposed to credit risk with respect to the tenant receivables, other receivables, cash and pooled investment fund.

The Corporation assesses, on a continuous basis, tenant receivables and other receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2017 is the carrying value of these assets.

The carrying amount of tenant and other receivables is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to tenant and other receivables are credited to the income statement. The balance of the allowance for doubtful accounts as at December 31, 2017 is \$210,000 (2016 - \$85,000).

11. Comparative information:

Certain 2016 comparative information have been reclassified to conform with the presentation adopted in 2017.

GREATER SUDBURY HOUSING CORPORATION

Schedule 1

Schedule of Operations

Year ended December 31, 2017

	Operating		Capital		Rent Supplement Program		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenue:								
Rental	\$ 6,900,500	6,886,011	-	-	-	-	6,900,500	6,886,011
Maintenance recoveries	155,500	202,272	-	-	-	-	155,500	202,272
Sundry revenue	248,054	247,382	-	183,029	-	-	248,054	430,411
Interest	16,500	27,148	-	-	-	-	16,500	27,148
Management services	161,537	158,743	-	-	-	-	161,537	158,743
City of Greater Sudbury:								
Local Housing subsidy	4,374,767	4,374,767	2,730,943	2,730,943	3,158,435	3,158,435	10,264,145	10,264,145
Regular Rent Supplement Program administration fee	78,200	78,200	-	-	-	-	78,200	78,200
Strong Communities Rent Supplement Program	12,300	10,907	-	-	-	445,586	12,300	456,493
Special Capital Projects	-	-	-	1,679,722	-	-	-	1,679,722
	11,947,358	11,985,430	2,730,943	4,593,694	3,158,435	3,604,021	17,836,736	20,183,145
Expenses:								
Salaries and benefits	4,226,913	4,006,535	-	-	-	-	4,226,913	4,006,535
Utilities	3,762,223	3,453,992	-	-	-	-	3,762,223	3,453,992
Capital	-	-	2,730,943	3,677,669	-	-	2,730,943	3,677,669
Rent Supplement Program	-	-	-	-	3,158,435	3,524,028	3,158,435	3,524,028
Property maintenance and operations	2,635,438	2,619,135	-	-	-	-	2,635,438	2,619,135
Administration	683,243	668,481	-	-	-	-	683,243	668,481
Transportation and communication	233,546	218,684	-	-	-	-	233,546	218,684
Bad debts	257,000	405,262	-	-	-	-	257,000	405,262
Tenant services	148,995	168,967	-	-	-	-	148,995	168,967
Loss on disposal of pooled investment fund	-	-	-	15,994	-	-	-	15,994
	11,947,358	11,541,056	2,730,943	3,693,663	3,158,435	3,524,028	17,836,736	18,758,747
Excess of revenue over expenses								
before undernoted	-	444,374	-	900,031	-	79,993	-	1,424,398
Interest on reserve funds	-	4,464	-	5,822	-	1,283	-	11,569
Excess of revenue over expenses	\$ -	448,838	-	905,853	-	81,276	-	1,435,967

GREATER SUDBURY HOUSING CORPORATION

Schedule 2

Schedule of Tangible Capital Assets

Year ended December 31, 2017, with comparative information for 2016

Cost:

	High-rise Residential Units			Multi-residential Units		Single-family Residential Units		Equipment & Vehicles		Total
	Site			Land	Buildings	Land	Buildings	Furniture & Equipment	Vehicles	
	Land	Improvements	Buildings							
Balance, January 1, 2016	\$ 2,180,550	6,479,572	21,015,534	2,853,550	39,495,329	4,155,000	13,345,459	709,116	329,912	90,564,022
Additions	-	1,371,505	327,444	-	567,647	-	-	-	-	2,266,596
Balance, December 31, 2016	2,180,550	7,851,077	21,342,978	2,853,550	40,062,976	4,155,000	13,345,459	709,116	329,912	92,830,618
Additions	-	532,208	1,654,105	-	475,032	-	-	-	50,778	2,712,123
Balance, December 31, 2017	\$ 2,180,550	8,383,285	22,997,083	2,853,550	40,538,008	4,155,000	13,345,459	709,116	380,690	95,542,741

Accumulated amortization:

	High-rise Residential Units			Multi-residential Units		Single-family Residential Units		Equipment & Vehicles		Total
	Site			Land	Buildings	Land	Buildings	Furniture & Equipment	Vehicles	
	Land	Improvements	Buildings							
Balance, January 1, 2016	\$ -	3,373,636	10,459,654	-	25,129,325	-	8,584,664	709,116	306,471	48,562,866
Amortization	-	477,688	813,793	-	1,993,786	-	667,274	-	23,441	3,975,982
Balance, December 31, 2016	-	3,851,324	11,273,447	-	27,123,111	-	9,251,938	709,116	329,912	52,538,848
Amortization	-	541,145	860,299	-	2,019,853	-	667,274	-	2,539	4,091,110
Balance, December 31, 2017	\$ -	4,392,469	12,133,746	-	29,142,964	-	9,919,212	709,116	332,451	56,629,958

Carrying amounts:

	High-rise Residential Units			Multi-residential Units		Single-family Residential Units		Equipment & Vehicles		Total
	Site			Land	Buildings	Land	Buildings	Furniture & Equipment	Vehicles	
	Land	Improvements	Buildings							
At December 31, 2016	\$ 2,180,550	3,999,753	10,069,531	2,853,550	12,939,865	4,155,000	4,093,521	-	-	40,291,770
At December 31, 2017	2,180,550	3,990,816	10,863,337	2,853,550	11,395,044	4,155,000	3,426,247	-	48,239	38,912,783

Summary:

	Land	Site Improvements	Buildings	Furniture & Equipment	Vehicles	Total
Balance, beginning of year	\$ 9,189,100	7,851,077	74,751,413	709,116	329,912	92,830,618
Additions	-	532,208	2,129,137	-	50,778	2,712,123
Amortization	-	(4,392,469)	(51,195,922)	(709,116)	(332,451)	(56,629,958)
Balance, end of year	\$ 9,189,100	3,990,816	25,684,628	-	48,239	38,912,783