

Financial Statements of

**GREATER SADBURY
HOUSING CORPORATION**

Year ended December 31, 2016



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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, 2016, 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, 2016 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.

Comparative Information

The financial statements of the Greater Sudbury Housing Corporation as at and for the year ended December 31, 2015 were prepared by another chartered professional accountant dated April 27, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 3, 2017

Sudbury, Canada

GREATER SUDBURY HOUSING CORPORATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash	\$ 1,040,575	\$ 1,116,264
Pooled fund investment (note 2)	530,927	509,607
Tenant accounts receivable	238,168	194,956
Other accounts receivable	346,882	333,686
Advances from City of Greater Sudbury	91,019	-
	<u>2,247,571</u>	<u>2,154,513</u>
Financial Liabilities		
Accounts payable and accrued liabilities	1,031,830	1,136,421
Accrued payroll and employee benefits	235,286	193,457
Tenant prepaid rents	181,011	205,006
	<u>1,448,127</u>	<u>1,534,884</u>
Net financial assets	799,444	619,629
Non-financial assets:		
Prepaid expenses	264,434	275,561
Share capital:		
Authorized:		
Unlimited common shares		
Issued:		
100 common shares	1	1
Commitments (note 5)		
Accumulated surplus (note 4)	<u>\$ 1,063,879</u>	<u>\$ 895,191</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, 2016, with comparative information for 2015

	Budget	Total	Total
	2016	2016	2015
Revenue:			
Rental	\$ 6,962,480	\$ 6,884,305	\$ 6,959,129
Maintenance recoveries	143,400	223,285	134,770
Sundry	276,676	270,552	280,409
Interest	23,000	23,679	33,694
Management services	177,249	176,215	87,598
City of Greater Sudbury:			
Local housing subsidy (note 8)	9,930,377	10,006,836	9,489,999
Regular Rent Supplement Program			
administration fee	78,200	78,200	78,200
Strong Communities Rent Supplement Program	12,300	501,858	505,547
RGI Administration Services	-	23,556	-
Special Capital Projects	-	426,479	155,000
	17,603,682	18,614,965	17,724,346
Expenses:			
Salaries and benefits	4,107,831	3,998,055	3,914,969
Utilities (note 6)	3,763,911	3,542,914	3,578,908
Capital	2,680,549	3,502,837	3,059,381
Rent Supplement Program	3,143,136	3,482,089	3,495,785
Property maintenance and operations (note 7)	2,579,163	2,653,137	2,498,153
Administration (note 7)	685,782	652,921	554,912
Transportation and communication	226,310	245,538	218,067
Bad debts	257,000	231,742	253,600
Tenant services	160,000	137,044	131,369
	17,603,682	18,446,277	17,705,144
Excess of revenue over expenses	\$ -	\$ 168,688	\$ 19,202

See accompanying notes to financial statements.

GREATER SUDBURY HOUSING CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Excess of revenue over expenses	\$ 168,688	\$ 19,202
Change in prepaid expenses	11,127	(4,924)
Change in net financial assets	179,815	14,278
Net financial assets, beginning of year	619,629	605,351
Net financial assets, end of year	\$ 799,444	\$ 619,629

See accompanying notes to financial statements.

GREATER SUDBURY HOUSING CORPORATION

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 168,688	\$ 19,202
Changes in non-cash working capital items:		
Decrease (increase) in tenant accounts receivable	(43,212)	86,590
Increase in other accounts receivable	(13,196)	(202,561)
Decrease in accounts payable and accrued liabilities	(104,591)	(296,060)
Increase in accrued payroll and employee benefits	41,829	16,768
Decrease in tenant prepaid rents	(23,995)	(6,441)
Decrease (increase) in prepaid expenses	11,127	(4,924)
Increase (decrease) in due from City of Greater Sudbury	(91,019)	-
Net change in operating activities	(54,369)	(387,426)
Investing activities:		
Change in pooled fund investment	(21,320)	(169,246)
Net change in investing activities	(21,320)	(169,246)
Decrease in cash during the year	(75,689)	(556,672)
Cash, beginning of year	1,116,264	1,672,936
Cash, end of year	\$ 1,040,575	\$ 1,116,264
Supplementary information:		
Interest received	\$ 23,680	\$ 33,694

See accompanying notes to financial statements.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

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:

Cash includes 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 fund investment:

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 fund investment 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, 2016

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 and service manager approval.

- Capital reserve:

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

- Rent supplement reserve:

This reserve is restricted and can only be used for expenses related to the Rent Supplement Program.

(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, 2016

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.

2. Pooled fund investment:

As at December 31, 2016, the cost of the Corporation's pooled fund investment is \$530,927 (2015 - \$509,607) and the fair value was \$523,765 (2015 - \$518,619).

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

3. 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, 2016

4. Accumulated surplus:

	Operating Reserve	Capital Reserve	Rent Supplement Reserve	Total 2016	Total 2015
Balance, beginning of year	\$ 487,521	267,983	139,687	895,191	875,989
Excess (deficiency) of revenue over expenses	285,222	(267,983)	151,449	168,688	19,202
Balance, end of year	\$ 772,743	-	291,136	1,063,879	895,191

5. 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, 2016 totals \$51,607 (2015 - \$55,105).

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, 2016 are as follows:

No later than one year	\$ 229,034
Later than one year and no longer than five years	110,297
	\$ 339,331

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, 2016 (2015 - \$Nil) for any of these claims.

GREATER SUDBURY HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

6. Utilities:

Utilities expense comprises the following:

	2016	2015
Electricity	\$ 1,176,343	\$ 1,036,460
Fuel	1,219,897	1,255,506
Gas hot water tank rental	178,444	175,157
Water	968,230	1,111,785
	\$ 3,542,914	\$ 3,578,908

7. Insurance:

Administration expense includes \$77,276 (2015 - \$80,082) of insurance expense and property maintenance and operations expense includes \$252,932 (2015 - \$249,372) of insurance expense.

8. Municipal taxes:

The Corporation is no longer required to remit municipal property taxes under by-law 2015-113 \$Nil (2015 - \$Nil). The City of Greater Sudbury has incorporated this into its local housing subsidy allocation.

9. 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 fund investments.

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, 2016 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, 2016 is \$85,000 (2015 - \$85,000).

There have been no significant changes to the credit risk exposure from 2015.

10. Comparative information:

Certain 2015 comparative information have been reclassified to conform with the presentation adopted in 2016.

GREATER SUDBURY HOUSING CORPORATION

Schedule 1

Schedule of Operations

Year ended December 31, 2016

	Operating		Capital		Rent Supplement Program		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenue:								
Rental	\$ 6,962,480	6,884,305	-	-	-	-	6,962,480	6,884,305
Maintenance recoveries	143,400	223,285	-	-	-	-	143,400	223,285
Sundry revenue	276,676	227,632	-	42,920	-	-	276,676	270,552
Interest	23,000	11,691	-	-	-	-	23,000	11,691
Management services	177,249	176,215	-	-	-	-	177,249	176,215
City of Greater Sudbury:								
Local Housing subsidy	4,106,692	4,106,692	2,680,549	2,757,008	3,143,136	3,143,136	9,930,377	10,006,836
Regular Rent Supplement Program administration fee	78,200	78,200	-	-	-	-	78,200	78,200
RGI administration services	-	23,556	-	-	-	-	-	23,556
Strong Communities Rent Supplement Program	12,300	12,116	-	-	-	489,742	12,300	501,858
Special Capital Projects	-	-	-	426,479	-	-	-	426,479
	11,779,997	11,743,692	2,680,549	3,226,407	3,143,136	3,632,878	17,603,682	18,602,977
Expenses:								
Salaries and benefits	4,107,831	3,998,055	-	-	-	-	4,107,831	3,998,055
Utilities	3,763,911	3,542,914	-	-	-	-	3,763,911	3,542,914
Capital	-	-	2,680,549	3,502,837	-	-	2,680,549	3,502,837
Rent Supplement Program	-	-	-	-	3,143,136	3,482,089	3,143,136	3,482,089
Property maintenance and operations	2,579,163	2,653,137	-	-	-	-	2,579,163	2,653,137
Administration	685,782	652,921	-	-	-	-	685,782	652,921
Transportation and communication	226,310	245,538	-	-	-	-	226,310	245,538
Bad debts	257,000	231,742	-	-	-	-	257,000	231,742
Tenant services	160,000	137,044	-	-	-	-	160,000	137,044
	11,779,997	11,461,351	2,680,549	3,502,837	3,143,136	3,482,089	17,603,682	18,446,277
Excess (deficiency) of revenue over expenses								
before undernoted	-	282,341	-	(276,430)	-	150,789	-	156,700
Interest on reserve funds	-	2,881	-	8,447	-	660	-	11,988
Excess (deficiency) of revenue over expenses	\$ -	285,222	-	(267,983)	-	151,449	-	168,688

GREATER SUDBURY HOUSING CORPORATION

Schedule 2

Schedule of Tangible Capital Assets

Year ended December 31, 2016, with comparative information for 2015

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, 2015	\$ 2,180,550	5,282,056	20,279,474	2,853,550	39,113,206	4,155,000	13,345,459	709,116	329,912	88,248,323
Additions	-	1,197,516	736,060	-	382,123	-	-	-	-	2,315,699
Balance, December 31, 2015	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

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, 2015	\$ -	2,981,582	9,668,211	-	23,159,283	-	7,917,390	699,020	273,480	44,698,966
Amortization	-	392,054	791,443	-	1,970,042	-	667,274	10,096	32,991	3,863,900
Balance, December 31, 2015	-	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

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, 2015	\$ 2,180,550	3,105,936	10,555,880	2,853,550	14,366,004	4,155,000	4,760,795	-	23,441	42,001,156
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

Summary:

	Land	Site Improvements	Buildings	Furniture & Equipment	Vehicles	Total
Balance, beginning of year	\$ 9,189,100	6,479,572	73,856,322	709,116	329,912	90,564,022
Additions	-	1,371,505	895,091	-	-	2,266,596
Amortization	-	(3,851,324)	(47,648,496)	(709,116)	(329,912)	(52,538,848)
Balance, end of year	\$ 9,189,100	3,999,753	27,102,917	-	-	40,291,770