

Financial Statements of

**CITYHOUSING HAMILTON
CORPORATION**

And Independent Auditor's Report thereon
Year ended December 31, 2022

CITYHOUSING HAMILTON CORPORATION

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For the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CityHousing Hamilton Corporation

Opinion

We have audited the financial statements of CityHousing Hamilton Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2022,
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CityHousing Hamilton Corporation as at December 31, 2022 and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor’s’ report thereon, included in the 2022 annual report



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2022 annual report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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 Canadian public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 23, 2023

CITYHOUSING HAMILTON CORPORATION

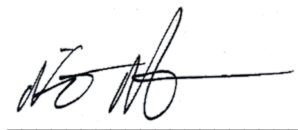
Statement of Financial Position

As at December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	\$ 23,354,086	\$ 31,512,970
Accounts receivable (note 2)	7,296,019	4,627,014
Investments (note 3)	16,249,053	13,934,213
	<u>46,899,158</u>	<u>50,074,197</u>
Liabilities		
Accounts payable and accrued liabilities (note 10)	12,232,534	9,627,722
Accrued mortgage interest	125,074	119,185
Deferred revenue (note 4)	11,247,304	10,334,266
Due to City of Hamilton (note 5)	8,793,981	11,561,787
Loans and mortgages (note 6)	46,731,084	48,881,512
Post-employment benefits (note 9)	3,373,700	3,179,600
Rent deposits	1,758,421	1,670,534
	<u>84,262,098</u>	<u>85,374,606</u>
Net debt	(37,362,940)	(35,300,409)
Non-financial assets		
Prepaid expenses	1,530,583	1,310,311
Tangible capital assets (note 13)	225,100,024	201,635,090
	<u>226,630,607</u>	<u>202,945,401</u>
Contingencies (note 14)		
Accumulated surplus (note 11)	<u>\$ 189,267,667</u>	<u>\$ 167,644,992</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CITYHOUSING HAMILTON CORPORATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 12)	Actual 2022	Actual 2021
Revenue:			
Residential rental	\$ 40,023,329	\$ 39,430,430	\$ 36,743,618
Commercial rental	935,402	852,824	807,953
Tenant recoveries	529,399	583,325	580,994
Government subsidies	18,327,401	17,701,396	18,249,699
Amortization of deferred revenue	–	860,211	560,211
Government subsidies - capital	–	6,037,460	4,391,336
Other income	1,292,683	2,694,102	2,746,730
Gain on sale of units	–	8,316,960	3,558,234
	61,108,214	76,476,708	67,638,775
Expenditures:			
Administration	15,477,306	16,190,223	15,970,399
Bad debts	389,232	330,224	356,621
Insurance	1,542,277	1,658,605	1,454,547
Maintenance	13,507,456	14,189,074	13,070,241
Depreciation	8,204,709	8,204,709	7,815,513
Interest on long-term debt	1,432,938	1,440,377	1,490,906
OHC repayment (note 7)	1,778,806	1,778,806	2,382,613
Municipal property tax	765,407	807,120	771,046
Utilities	10,604,286	10,199,143	9,694,890
	53,702,417	54,798,281	53,006,776
Annual surplus before service manager reconciliation	7,405,797	21,678,427	14,631,999
Service manager reconciliation	–	(55,752)	(55,702)
Annual surplus	7,405,797	21,622,675	14,576,297
Accumulated surplus, beginning of year	167,644,992	167,644,992	153,068,695
Accumulated surplus, end of year	\$ 175,050,789	\$ 189,267,667	\$ 167,644,992

See accompanying notes to financial statements.

CITYHOUSING HAMILTON CORPORATION

Statement of Changes in Net Debt

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Annual surplus	\$ 21,622,675	\$ 14,576,297
Purchase of tangible capital assets	(32,156,252)	(31,092,775)
Gain on sale of tangible capital assets	(8,316,960)	(583,498)
Proceeds on disposal of tangible capital assets	8,803,569	825,747
Depreciation of tangible capital assets	8,204,709	7,815,513
	(1,842,259)	(8,458,716)
Net increase in prepaid expenses	(220,272)	(172,495)
Change in net debt	(2,062,531)	(8,631,211)
Net debt, beginning of year	(35,300,409)	(26,669,198)
Net debt, end of year	\$ (37,362,940)	\$ (35,300,409)

See accompanying notes to financial statements.

CITYHOUSING HAMILTON CORPORATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 21,622,675	\$ 14,576,297
Items not involving cash:		
Depreciation	8,204,709	7,815,513
Gain on disposal of tangible capital assets	(8,316,960)	(3,558,234)
Amortization of deferred revenue	(860,211)	(560,211)
Post-employment benefits	194,100	93,300
Change in non-cash assets and other liabilities:		
Accounts receivable	(2,669,005)	914,347
Prepaid expenses	(220,272)	(172,495)
Accounts payable and accrued liabilities	2,604,812	(699,878)
Rent deposits	87,887	210,283
Accrued mortgage interest	5,889	36,244
	<u>20,653,624</u>	<u>18,655,166</u>
Capital activities:		
Purchase of tangible capital assets	(32,156,252)	(31,092,775)
Proceeds on disposal of tangible capital assets	8,803,569	3,800,483
	<u>(23,352,683)</u>	<u>(27,292,292)</u>
Financing activities:		
Repayment to City of Hamilton	(2,767,806)	(1,228,246)
Advances from City of Hamilton	-	2,160,362
Deferred capital contributions	1,773,249	7,138,866
Proceeds from loans and mortgages	3,909,872	10,167,113
Repayment of loans and mortgages	(6,060,300)	(6,026,510)
	<u>(3,144,985)</u>	<u>12,211,585</u>
Investing activities:		
Change in investments (net)	(2,314,840)	(464,026)
Net change in cash	(8,158,884)	3,110,433
Cash, beginning of year	31,512,970	28,402,537
Cash, end of year	<u>\$ 23,354,086</u>	<u>\$ 31,512,970</u>

See accompanying notes to financial statements.

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements

Year ended December 31, 2022

CityHousing Hamilton Corporation (the “Corporation”) is incorporated with share capital under the Ontario Business Corporations Act to provide, operate, and construct housing accommodation primarily for persons of low and moderate income. The Corporation’s shares are 100% owned by the City of Hamilton (the “City”). The City is also the Service Manager for the Corporation. The Corporation is exempt from tax under the Federal Income Tax Act.

1. Significant account policies:

The financial statements of the Corporation have been prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Corporation are as follows:

(a) Basis of accounting:

The Corporation follows the accrual method of accounting for revenues and expenses. 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 a receipt of goods or services and the creation of a legal obligation to pay.

(b) Government subsidies:

Government transfers received are from federal and provincial governments and the City of Hamilton. Government transfers paid relate to service manager reconciliation adjustments to the City of Hamilton. 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. Government transfers made by the Corporation are recognized as expenses when the transfer is paid.

(c) Other income including rental income:

Other income is reported as revenue in the period earned. Rental income is reported as revenue in the period earned at the agreed upon rental rate between the Corporation and the tenant.

(d) 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.

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant account policies (continued):

(d) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recognized as tangible capital assets at their fair value at the date of receipt and as revenue. Interest is not capitalized to tangible capital assets during construction.

(ii) Depreciation:

Depreciation is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing services over the estimated useful life of the asset. Depreciation expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Asset	Number of years
Buildings and structures	20 - 40
Furniture and equipment	5 - 20
Leasehold improvements	20
Land improvements	20
IT equipment	3 - 5

One half of the annual depreciation is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(e) Post-employment benefits:

The Corporation provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefit for early retirees and vested sick leave. The costs of extended health and dental benefits and vested sick leave are actuarially determined using management's best estimate of salary escalation, earned days accumulated for certain employees payable at retirement, health care cost trends, long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains or losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant account policies (continued):

(e) Post-employment benefits (continued):

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. These contributions are recognized in the period in which the contributions are earned.

(f) Deferred revenue:

Deferred revenue arising from the receipt of government subsidies for the construction and acquisition of housing units are amortized to revenue over the period that the units are operated. Under the terms of the Corporation's government transfer agreements, the Corporation is required to operate the units for 20 years. Accordingly, these government subsidies are amortized to revenue over 20 years.

(g) Investments:

Investments consist of short-term and long-term bonds and pooled equity instruments. Investments are carried at cost. Investment income is recognized only to the extent received or receivable. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(h) Provincial debentures:

Certain public housing properties which were originally financed by the Province of Ontario through general obligation provincial debentures are currently being repaid by the Corporation, however the Corporation is not legally responsible for the settlement of the debt. Accordingly, the provincial debentures are not presented on the Corporation's statement of financial position. Under PSAS, the amount of repayment in the year is recognized as an expense in the statement of operations.

(i) Use of estimates:

The preparation of financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include assumptions used in performing actuarial valuations of liability for post-employment benefits. Actual results could differ from those estimates.

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Accounts receivable:

	2022	2021
Tenant receivable	\$ 3,757,147	\$ 2,476,659
Subsidy receivable	1,111,238	1,210,574
Other	29,075	32,700
HST receivable	2,849,417	634,925
Service manager receivable	–	580,393
Allowance for doubtful accounts	(450,858)	(308,237)
	<u>\$ 7,296,019</u>	<u>\$ 4,627,014</u>

3. Investments:

	2022	2021
Cost	\$ 16,249,053	\$ 13,934,213
Market value	15,916,869	14,156,845

4. Deferred revenue:

Deferred revenue consists of grants received for housing units. The Corporation must operate and maintain the units for a period of 20 years.

	2022	2021
557 Queenston St.	\$ 357,898	\$ 477,197
Bridgewater	2,527,292	2,843,203
500 MacNab	6,450,000	6,875,000
CMHC Repair & Renewal Forgivable Loan	1,912,114	138,866
	<u>\$ 11,247,304</u>	<u>\$ 10,334,266</u>
Continuity	2022	2021
Balance, beginning of year	\$ 10,334,266	\$ 3,755,611
Add: Grants received	1,773,249	7,138,866
Less: Amounts recognized in revenue	(860,211)	(560,211)
Balance, end of year	<u>\$ 11,247,304</u>	<u>\$ 10,334,266</u>

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Due to the City of Hamilton:

- (a) Included in amounts owing to the City of Hamilton is a long-term liability for 211 King William (City Views). The liability bears interest at 4.75% per annum, maturing December 31, 2040 and payable in equal annual installments of principal and interest of \$61,437. The liability is secured under a general security agreement on the property. The balance outstanding at the end of the year is \$718,122 (2021 - \$745,089)

Principal charges in each of the next six years are as follows:

2023	\$	28,263
2024		29,622
2025		31,046
2026		32,538
2027		34,102
2028 and thereafter		562,551
	\$	718,122

- (b) Included in amounts owing to the City of Hamilton is a long-term liability for the water conservation project. The liability bears interest at 2.5% per annum, maturing August 31, 2026 and payable in equal annual installments of principal and interest of \$114,259. The liability is secured under a general security agreement over the assets of the corporation. The balance outstanding at the end of the year is \$429,839 (2021 - \$530,826)

Principal charges in each of the next four years are as follows:

2023	\$	103,513
2024		106,101
2025		108,753
2026		111,472
	\$	429,839

- (c) Included in amounts owing to the City of Hamilton is a long-term liability for 500 MacNab project. The liability bears interest at 2.63% per annum, maturing May 6, 2030 and payable in equal annual installments of principal and interest of \$1,063,000. The liability is secured by 20 Congress and 30 Congress Ave. The balance outstanding at the end of the year is \$7,383,600 (2021 - \$8,306,550). Principal will be repaid in equal installments of \$922,950 over the 10-year period.

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Due to the City of Hamilton (continued):

(d) Included in amounts owing to the City of Hamilton is a long-term liability for Roxborough Construction project. The liability bears interest at 2.43% per annum, maturing when construction is complete and loan transferred to the Corporation. Interest is payable annually. The balance outstanding at the end of the year is \$nil (2021 - \$2,160,362). The balance was paid upon completion of construction in December 2022.

The remaining amounts owing to/from the City of Hamilton are non-interest bearing with no fixed repayment terms and are recognized in accounts receivable and accounts payable in the normal course of operations. At December 31, 2022 the Corporation had an amount owing from the City of Hamilton \$262,420 (2021 - \$349,847) related to payroll costs. These amounts are recognized at the carrying amount.

6. Loan and mortgage payable:

	2022	2021
Scotia Mortgage Corporation, 2.590% mortgage for 470 Stone Church Road East, renewing January 1, 2023 payable in equal monthly instalments of principal and interest of \$23,206	\$ 23,156	\$ 297,189
Canada Mortgage and Housing Corporation, 2.22% mortgage for 75 Wentworth Street North and Ashley/Century, renewing January 1, 2024, payable in equal monthly instalments of principal and interest of \$16,479	772,808	949,918
Canada Mortgage and Housing Corporation, 0.69% mortgage for 1150 Limeridge Road East, renewing January 1, 2025, payable in equal monthly instalments of principal and interest of \$22,940	569,560	839,571
Scotia Mortgage Corporation, 2.248% (2021 - 2.195%) mortgage for 1781 King Street East, renewing January 1, 2027, payable in equal monthly instalments of principal and interest of \$6,728 (2021 - \$6,719)	314,765	387,578
Scotia Mortgage Corporation, 2.248% (2021 - 2.195%) mortgage for 67 Ossington Drive, renewing January 1, 2027, payable in equal monthly instalments of principal and interest of \$10,812 (2021 - \$10,798)	505,857	622,873
Balance carryforward	2,186,146	3,097,129

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Loan and mortgage payable (continued):

	2022	2021
Balance carryforward	\$ 2,186,146	\$ 3,097,129
Scotia Mortgage Corporation, 3.740% (2021 – 1.865%) mortgage for 1081 Rymal Road East, renewing June 1, 2027, payable in equal monthly instalments of principal and interest of \$11,978 (2021 - \$11,441)	594,851	717,250
Scotia Mortgage Corporation, 5.83% mortgage for 10 Brock Street, renewing May 1, 2024, payable in equal monthly instalments of principal and interest of \$7,225	464,150	522,279
Canada Mortgage and Housing Corporation, 1.73% mortgage for 25 Towercrest Drive, renewing August 1, 2024, payable in equal monthly instalments of principal and interest of \$30,845	2,277,866	2,602,403
Canada Mortgage and Housing Corporation, 1.69% mortgage for 1285 Upper Gage Avenue, renewing September 1, 2024, payable in equal monthly instalments of principal and interest of \$5,930	449,076	511,467
First National Financial LP, 2.99% mortgage for 430 Cumberland Avenue, renewing October 1, 2029, payable in equal monthly instalments of principal and interest of \$69,967	5,186,406	5,860,986
Canada Mortgage and Housing Corporation, 0.69% mortgage for 101 Broadway Avenue, renewing June 1, 2025, payable in equal monthly instalments of principal and interest of \$13,732	1,139,577	1,295,269
Scotia Mortgage Corporation, 2.32% (2021 – 2.20%) mortgage for 1100 Limeridge Road East, renewing February 1, 2027, payable in equal monthly instalments of principal and interest of \$20,940 (2021 - \$20,833)	1,868,652	2,074,405
Canada Mortgage and Housing Corporation, 1.73% mortgage for 1900 Main Street West, renewing August 1, 2024, payable in equal monthly instalments of principal and interest of \$71,892	2,932,494	3,732,904
Balance carryforward	17,099,218	20,414,092

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Loan and mortgage payable (continued):

	2022	2021
Balance carryforward	\$ 17,099,218	\$ 20,414,092
Canada Mortgage and Housing Corporation, 0.74% mortgage for 122 Hatt Street, renewing December 1, 2025, payable in equal monthly instalments of principal and interest of \$15,333	546,067	724,970
Scotia Mortgage Corporation, 4.980% (2021 – 2.559%) mortgage for 680 Stonechurch Road West, renewing April 1, 2023, payable in equal monthly instalments of principal and interest of \$18,453 (2021 - \$18,371)	73,060	288,677
Canada Mortgage and Housing Corporation, 0.83% mortgage for 7-23 Gurnett Drive, renewing December 1, 2024, payable in equal monthly instalments of principal and interest of \$1,769	42,123	62,880
Canada Mortgage and Housing Corporation, 2.02% mortgage for 185-206, 210 Jackson Street East, renewing September 1, 2027, payable in equal monthly instalments of principal and interest of \$36,538	1,987,996	2,378,838
People's Trust Company, 2.89% mortgage for 162 King William Street, renewing June 1, 2030, payable in equal monthly instalments of principal and interest of \$9,571	1,164,632	1,244,778
MCAP Financial Corporation, 2.559% mortgage for 580 Limeridge Road East, renewed on December 1, 2022, payable in equal monthly instalments of principal and interest of \$19,577	–	231,691
People's Trust Company, 4.03% (2021 – 2.37%) mortgage for 170 East Avenue South, renewing September 1, 2027, payable in equal monthly instalments of principal and interest of \$21,755 (2021 - \$20,892)	1,127,728	1,346,873
Sunlife Financial 3.950% mortgage for 350-360 King Street East, renewing June 1, 2027, payable in equal quarterly instalments of principal and interest of \$250,176	4,108,967	4,927,944
Balance carryforward	26,149,791	31,620,743

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Loan and mortgage payable (continued):

	2022	2021
Balance carryforward	\$ 26,149,791	\$ 31,620,743
MCAP Financial Corporation 4.090% (2021 – 3.260%) mortgage for 4 Bridgewater Court, renewing September 1, 2032, payable in equal monthly instalments of principal and interest of \$18,904 (2021 - \$17,816)	2,607,117	2,730,084
Scotia Mortgage Corporation, 4.980% (2021 – 2.559%) mortgage for 405 York Boulevard, renewing December 1, 2024, payable in equal monthly instalments of principal and interest of \$19,933 (2021 - \$19,453)	454,677	673,514
Federation of Canadian Municipalities, 3.63% (2021 – 3.10%) debenture for 500 MacNab St N, renewing September 1, 2040, payable in semi annual instalments of principal and interest of \$144,028 (2021 - \$87,864)	4,844,482	3,690,057
Canada Mortgage and Housing Corporation, 0.00% mortgage for 500 MacNab St N, renewing August 11, 2028, payable at maturity, only interest payment starting on August 11, 2024 \$53,442 annually	2,658,814	2,658,814
Canada Mortgage and Housing Corporation, 1.73% mortgage for Repair and Renewal 2021, renewing January 1, 2032, payable in equal monthly instalments of principal and interest of \$661	204,286	208,300
Canada Mortgage and Housing Corporation, 1.92% mortgage for 500 MacNab St N, renewing November 1, 2031, payable in equal monthly instalments of principal and interest of \$23,855	7,152,045	7,300,000
Canada Mortgage and Housing Corporation, 3.45% mortgage for Repair and Renewal 2022, renewing June 1, 2032, payable at maturity, only interest payment paid semi-annually	415,008	–
Canada Mortgage and Housing Corporation, 3.45% mortgage for Repair and Renewal 2022, renewing September 1, 2032, payable at maturity, only interest payments paid semi-annually	1,343,342	–
Balance carryforward	45,829,562	48,881,512

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Loan and mortgage payable (continued):

	2022	2021
Balance carryforward	\$ 45,829,562	\$ 48,881,512
Canada Mortgage and Housing Corporation, 3.45% mortgage for Repair and Renewal 2022, renewing December 1, 2032, payable at maturity, only interest payments paid semi-annually	901,522	-
	\$ 46,731,084	\$ 48,881,512

Future principal payments required on all long-term debt for the next five years and thereafter are as follows:

2023	\$ 5,555,457
2024	9,571,114
2025	4,395,279
2026	3,463,908
2027	3,517,843
2028 and thereafter	20,227,483
	\$ 46,731,084

7. Provincial debentures:

The value of the provincial debentures not recognized at the end of the year is \$1,804,476 (2021 - \$3,583,282). The Corporation made payments in the amount of \$1,778,806 during the year (2021 - \$ 2,382,613).

8. Pension agreements:

The Corporation makes contributions to OMERS, which is a multi-employer plan, on behalf of 134 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The latest actuarial valuation as at December 31, 2022, reported a funding deficit of \$ 6.7 billion (2021 - \$3.1 billion). Contributions were made in the 2022 calendar year at rates ranging from 9% to 14.6% depending on the level of earnings. As a result, \$961,791 was contributed to OMERS (2021 - \$935,906) for current service. The OMERS board has confirmed that contribution rates will remain at the current levels until 2025.

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Post-employment benefits:

The Corporation provides certain employees benefits which will require funding in future periods. These benefits include sick leave and life insurance and extended health and dental benefits to early retirees.

	2022	2021
Retiree benefits	\$ 1,112,500	\$ 1,098,100
Vested sick leave	46,800	62,400
WSIB obligations	85,100	236,000
LTD plan	2,129,300	1,783,100
Balance, end of year	\$ 3,373,700	\$ 3,179,600

Information about the Corporation's employee future benefits and obligations are summarized below. The most recent actuarial valuation on the Corporation's retiree benefits and vested sick leave was completed for the December 31, 2022 year-end.

	2022	2021
Accrued benefit obligation:		
Balance, beginning of year	\$ 3,179,600	\$ 3,086,300
Current benefit cost	444,100	563,800
Interest	110,100	108,100
Benefits paid	(372,100)	(578,600)
Balance, end of year	3,361,700	3,179,600
Net actuarial loss	12,000	-
Liability for benefits	\$ 3,373,700	\$ 3,179,600

(a) Liability for vested sick leave benefit plans:

The Corporation provides a sick leave benefit plan for certain employee groups. Under the sick leave benefit plan, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the Corporation's employment.

The significant actuarial assumptions adopted in estimating the Corporation's accrued benefit obligation for vested sick leave is as follows:

	2022	2021
Interest (discount rate)	3.25%	3.25%
Salary increases	3.00%	3.00%
Inflation	2.00%	2.00%

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Post-employment benefits (continued):

(b) Liability for retiree benefits:

The Corporation provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years.

The significant actuarial assumptions adopted in estimating the Corporation's accrued benefit obligation for retiree benefits is as follows:

	2022	2021
Interest (discount rate)	3.50%	3.50%
Health care trend rate*	5.96%	6.08%
Dental care trend rate	4.00%	4.00%

*Decreasing at a rate of 0.13% per annum reaching 4.00% in 2038.

(c) Liability for WSIB benefits obligations:

In common with other Schedule 2 employers, the Corporation funds its obligations to the Workplace Safety and Insurance Board ("WSIB") on a pay as you go basis for employees under Schedule 2. An independent actuarial valuation has been performed on the Corporation's liabilities for future payments, with the most recent valuation completed for the December 31, 2022 year-end.

(d) Liability for LTD plan:

The Corporation provides certain long-term disability benefits which are self-insured by the Corporation. An independent actuarial valuation has been performed on the Corporation's liabilities for future payments, with the most recent valuation completed for the December 31, 2022 year-end.

10. Accounts payable:

	2022	2021
Accounts payable	\$ 4,608,579	\$ 5,445,907
Contractor holdbacks	3,451,796	2,525,248
Accrued liabilities including payroll	2,771,589	1,656,567
Service manager payable	1,400,570	—
	<u>\$ 12,232,534</u>	<u>\$ 9,627,722</u>

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve and reserve funds as follows:

	2022	2021
Reserves and reserve funds	\$ 22,085,866	\$ 29,068,751
Unfunded loans and mortgages	(54,544,523)	(59,879,249)
Unfunded post-employment benefit	(3,373,700)	(3,179,600)
Tangible capital assets	225,100,024	201,635,090
Balance, end of year	\$ 189,267,667	\$ 167,644,992

12. Budget data:

The budget data presented in these financial statements are based upon the 2022 approved operating and capital budgets approved by the Board of the Corporation. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

Revenues		
Operating budget		\$ 61,108,214
Capital budget		9,184,603
Less: capital		(9,184,603)
Total revenue		61,108,214
Expenses:		
Operating budget		61,108,214
Capital budget		9,184,603
Add:		
OHC repayment		1,778,806
Less:		
Amortization – repayments		(1,432,938)
Transfers to replacement reserve		(7,751,665)
Capital expenses		(9,184,603)
Total expenses		53,702,417
Annual surplus		\$ 7,405,797

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

13. Tangible capital assets:

(a) Assets under construction:

Assets under construction having a value of \$99,431,140 (2021 - \$71,742,142) have not been depreciated. Depreciation of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

No contributed tangible capital assets have been received in 2022 or 2021.

(c) Tangible capital assets disclosed at nominal values:

Where an estimate could not be made, the tangible capital asset was recognized at a nominal value. No assets were recognized at nominal amount in 2022 or 2021.

(d) Works of art and historical treasures:

The Corporation does not have any works of art or historical treasures.

(e) Write-down of tangible capital assets:

No capital assets were written down during the year.

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements

Year ended December 31, 2022

13. Tangible capital assets:

	Cost					Accumulated depreciation					Net book value
	Balance beginning of year	Additions	Disposals	Transfers	Balance end of year	Balance beginning of year	Depreciation	Disposals	Balance end of year		
Land	\$ 27,586,560	\$ –	\$ (425,704)	\$ –	\$ 27,160,856	\$ –	\$ –	\$ –	\$ –	\$ 27,160,856	
Building and structures	334,415,858	3,352,284	(6,146,165)	–	331,621,977	259,737,448	6,076,829	(6,085,260)	259,729,017	71,892,960	
Furniture and equipment	30,999,279	817,936	–	–	31,817,215	9,829,085	1,630,502	–	11,459,587	20,357,628	
Leasehold improvement	2,704,643	–	–	–	2,704,643	1,419,937	135,232	–	1,555,169	1,149,474	
Land improvement	5,822,939	103,143	–	–	5,926,082	1,874,607	310,935	–	2,185,542	3,740,540	
IT equipment	1,659,419	193,891	–	–	1,853,310	434,673	51,211	–	485,884	1,367,426	
Assets under construction	71,742,142	30,137,521	–	(2,448,523)	99,431,140	–	–	–	–	99,431,140	
December 31, 2022	\$ 474,930,840	\$ 34,604,775	\$ (6,571,869)	\$ (2,448,523)	\$ 500,515,223	\$ 273,295,750	\$ 8,204,709	\$ (6,085,260)	\$ 275,415,199	\$ 225,100,024	
Land	\$ 27,810,014	\$ –	\$ (223,454)	\$ –	\$ 27,586,560	\$ –	\$ –	\$ –	\$ –	\$ 27,586,560	
Building and structures	333,164,479	1,834,877	(583,498)	–	334,415,858	254,560,850	5,760,096	(583,498)	259,737,448	74,678,410	
Furniture and equipment	30,421,028	578,251	–	–	30,999,279	8,249,813	1,579,272	–	9,829,085	21,170,194	
Leasehold improvement	2,704,643	–	–	–	2,704,643	1,284,705	135,232	–	1,419,937	1,284,706	
Land improvement	5,564,245	258,694	–	–	5,822,939	1,575,212	299,395	–	1,874,607	3,948,332	
IT equipment	1,659,419	–	–	–	1,659,419	393,156	41,517	–	434,673	1,224,746	
Assets under construction	43,339,984	28,420,953	–	(18,795)	71,742,142	–	–	–	–	71,742,142	
December 31, 2021	\$ 444,663,812	\$ 31,092,775	\$ (806,952)	\$ (18,795)	\$ 474,930,840	\$ 266,063,736	\$ 7,815,512	\$ (583,498)	\$ 273,295,750	\$ 201,635,090	

CITYHOUSING HAMILTON CORPORATION

Notes to Financial Statements

Year ended December 31, 2022

14. Contingencies:

As of December 31, 2022, the Corporation is contingently liable for letters of credit relating to the development of property with the City of Hamilton in the amount of \$707,196. As at December 31, 2022 the Corporation has not recorded a liability with respect to these letters of credit.