

Greater Sudbury Housing Corporation

Financial Statements
December 31, 2013



April 23, 2014

Independent Auditor's Report

To the Board of Directors of the Greater Sudbury Housing Corporation

We have audited the accompanying financial statements of the Greater Sudbury Housing Corporation, which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and the related notes and supplementary schedules, which comprise 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 described in note 2 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.

Auditor's 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 disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Greater Sudbury Housing Corporation as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in note 2 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Greater Sudbury Housing Corporation

Statement of Financial Position

As at December 31

	2013 \$	2012 \$
Financial assets		
Cash	1,170,086	2,203,744
Pooled fund investment (note 3)	582,000	-
Tenant accounts receivable	195,068	160,814
Other accounts receivable	160,649	170,354
	<u>2,107,803</u>	<u>2,534,912</u>
Liabilities		
Accounts payable and accrued liabilities	1,368,297	1,261,339
Accrued payroll and employee benefits expenses	144,919	129,764
Tenant prepaid rents	201,219	197,813
	<u>1,714,435</u>	<u>1,588,916</u>
Net financial assets	393,368	945,996
Non-financial assets		
Prepaid expenses	261,410	275,347
Share capital		
Authorized		
Unlimited common shares		
Issued		
100 common shares	1	1
Accumulated surplus (note 5)	<u>654,777</u>	<u>1,221,342</u>
Commitments (note 6)		
Schedule of tangible capital assets (schedule 2)		

Approved on behalf of the Board

_____ Board member _____ Board member

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Greater Sudbury Housing Corporation

Statement of Operations

For the year ended December 31

	2013 Budget \$	2013 \$	2012 \$
Revenues			
Rental	6,996,408	6,873,955	6,977,472
Maintenance recoveries	90,000	143,882	98,550
Sundry revenue	231,192	212,066	142,632
Interest	17,000	29,632	35,792
Non-profit management fees	-	-	59,181
City of Greater Sudbury			
Local housing subsidy	11,100,169	11,183,924	10,800,394
Regular Rent Supplement Program administration fee	90,000	78,200	78,200
Strong Communities Rent Supplement Program	-	506,152	463,944
	<u>18,524,769</u>	<u>19,027,811</u>	<u>18,656,165</u>
Expenses			
Utilities	3,601,116	3,624,942	3,516,102
Rent Supplement Program	2,692,809	2,864,368	2,810,130
Strong Communities Rent Supplement Program	-	493,256	451,269
Salaries and benefits	3,775,334	3,638,174	3,299,240
Property maintenance and operations	2,399,432	2,637,091	2,424,582
Tenant services	142,500	127,053	132,378
Capital	2,338,644	2,593,802	2,282,569
Municipal taxes	2,702,755	2,786,510	2,649,760
Administration	565,679	505,365	562,583
Bad debts	140,000	155,950	88,226
Transportation and communication	166,500	167,865	167,083
	<u>18,524,769</u>	<u>19,594,376</u>	<u>18,383,922</u>
(Deficiency) excess of revenues over expenses	<u>-</u>	<u>(566,565)</u>	<u>272,243</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Greater Sudbury Housing Corporation

Statement of Changes in Net Financial Assets

For the year ended December 31

	2013 \$	2012 \$
(Deficiency) excess of revenues over expenses for the year	(566,565)	272,243
Change in prepaid expenses	13,937	(26,119)
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(Decrease) increase in net financial assets	(552,628)	246,124
Net financial assets - Beginning of year	945,996	699,872
	<hr/>	<hr/>
Net financial assets - End of year	393,368	945,996
	<hr/>	<hr/>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Greater Sudbury Housing Corporation

Statement of Cash Flows

For the year ended December 31

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenses	(566,565)	272,243
Change in non-cash assets and liabilities		
Tenant accounts receivable	(34,254)	(88,545)
Other accounts receivable	9,705	198,151
Due from the City of Greater Sudbury	-	220,973
Accounts payable and accrued liabilities	106,958	(500,124)
Accrued payroll and employee benefits expenses	15,155	26,965
Tenant prepaid rents	3,406	34,893
Prepaid expenses	13,937	(26,119)
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	(451,658)	138,437
Investing activity		
Purchase of pooled fund investment (note 3)	(582,000)	-
	<hr/>	<hr/>
Net change in cash for the year	(1,033,658)	138,437
Cash - Beginning of year	2,203,744	2,065,307
	<hr/>	<hr/>
Cash - End of year	1,170,086	2,203,744
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Supplementary information		
Interest received	29,632	35,792

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Greater Sudbury Housing Corporation

Notes to Financial Statements

December 31, 2013

1 Nature of operations

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 and is, therefore, exempt from income taxes, having met certain requirements of the Income Tax Act.

2 Summary of significant accounting policies

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:

- a) the Corporation has obligations for certain employee benefits, which will require funding in future years, and which are not accrued in the financial statements (note 6);
- b) 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;
- c) inventory of parts and supplies are expensed in the statement of operations in the year the expenditure is incurred; and
- d) expenses on the statement of operations are classified and presented based on the nature of the expense rather than function.

Cash

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

Pooled fund investment

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

Greater Sudbury Housing Corporation

Notes to Financial Statements

December 31, 2013

Prepaid expenses

Prepaid expenses are charged to expenses during the year of the expected benefit.

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 reserve when approved.

Accumulated surplus consists of the following:

- Operating reserve

This reserve is not restricted and is utilized for the operating activities of the Corporation.

- Capital reserve

This reserve is restricted and can only be used for capital projects 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.

Revenue recognition

Revenues are recognized in the period 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.

Rental revenue and the local housing subsidy are recognized as revenue during the month of occupancy by members.

Expenses

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

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

December 31, 2013

4 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.

The land and buildings transferred to the Corporation are as follows:

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 Terrace	204
1960 A Paris Street	201 Rumball Terrace	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'Neil Drive, Garson		6
241 Second Avenue North	Birkdale Village	70
1778 LaSalle Boulevard	Keewatin Court	30
1200 Attlee Avenue	McCormack 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
		<hr/>
		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

December 31, 2013

5 Accumulated surplus

	2013			2012	
	Operating reserve \$	Capital reserve \$	Rent supplement reserve \$	Total \$	Total \$
Balance - Beginning of year	461,727	577,867	181,748	1,221,342	949,099
(Deficiency) excess of revenue over expenses	(148,500)	(249,707)	(168,358)	(566,565)	272,243
Balance - End of year	313,227	328,160	13,390	654,777	1,221,342

6 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, 2013 totals \$54,614 (2012 - \$64,603).

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, 2013 are as follows:

	\$
No later than 1 year	297,169
Later than 1 year and no longer than 5 years	662,832
	<u>960,001</u>

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, 2013 (2012 - \$nil) for any of these claims.

7 Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. These changes have no effect on excess (deficiency) of revenues over expenses previously reported in the prior year.

Greater Sudbury Housing Corporation

Schedule of Operations

For the year ended December 31, 2013

Schedule 1

	Operating		Capital		Rent Supplement Program		Total	
	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$
Revenues								
Rental	6,996,408	6,873,955	-	-	6,996,408	6,873,955		
Maintenance recoveries	90,000	143,882	-	-	90,000	143,882		
Sundry revenue	231,192	212,066	-	-	231,192	212,066		
Interest	17,000	17,774	-	-	17,000	17,774		
City of Greater Sudbury								
Local housing subsidy	6,068,716	6,152,471	2,338,644	2,338,644	2,692,809	2,692,809	11,100,169	11,183,924
Regular Rent Supplement Program	90,000	78,200	-	-	90,000	78,200		
administration fee								
Strong Communities Rent Supplement Program	-	12,896	-	-	493,256	493,256	-	506,152
	13,493,316	13,491,244	2,338,644	2,338,644	2,692,809	3,186,065	18,524,769	19,015,953
Expenses								
Utilities	3,601,116	3,624,942	-	-	3,601,116	3,624,942		
Rent Supplement Program	-	-	-	-	2,692,809	2,864,368		
Strong Communities Rent Supplement Program								
Salaries and benefits	3,775,334	3,638,174	-	-	3,775,334	3,638,174		
Property maintenance and operations	2,399,432	2,637,091	-	-	2,399,432	2,637,091		
Tenant services	142,500	127,053	-	-	142,500	127,053		
Capital	-	-	-	-	-	-		
Municipal taxes	2,702,755	2,786,510	2,338,644	2,593,802	2,338,644	2,593,802		
Administration	565,679	505,365	-	-	565,679	505,365		
Bad debts	140,000	155,950	-	-	140,000	155,950		
Transportation and communication	166,500	167,865	-	-	166,500	167,865		
	13,493,316	13,642,950	2,338,644	2,593,802	2,692,809	3,357,624	18,524,769	19,594,376
Deficiency of revenues over expenses before the undernoted	-	(151,706)	-	(255,158)	-	(171,559)	-	(578,423)
Interest on reserve funds	-	3,206	-	5,451	-	3,201	-	11,858
Deficiency of revenues over expenses	-	(148,500)	-	(249,707)	-	(168,358)	-	(566,565)

Greater Sudbury Housing Corporation

Schedule of Tangible Capital Assets

For the year ended December 31

Schedule 2

	Cost			Accumulated amortization			Net book value of tangible assets	
	Balance - beginning of year \$	Additions \$	Balance - end of year \$	Balance - beginning of year \$	Amortization \$	Balance - end of year \$	2013 \$	2012 \$
High-rise residential units								
Land	2,180,550	-	2,180,550	-	-	-	2,180,550	2,180,550
Site improvements	3,326,290	1,108,445	4,434,735	2,398,988	258,701	2,657,689	1,777,046	927,302
Buildings	20,201,283	-	20,201,283	8,121,617	772,515	8,894,132	11,307,151	12,079,666
	25,708,123	1,108,445	26,816,568	10,520,605	1,031,216	11,551,821	15,264,747	15,187,518
Multi-residential units								
Land	2,853,550	-	2,853,550	-	-	-	2,853,550	2,853,550
Buildings	37,677,294	713,547	38,390,841	19,310,322	1,906,532	21,216,854	17,173,987	18,366,972
	40,530,844	713,547	41,244,391	19,310,322	1,906,532	21,216,854	20,027,537	21,220,522
Single-family residential houses								
Land	4,155,000	-	4,155,000	-	-	-	4,155,000	4,155,000
Buildings	13,191,048	154,411	13,345,459	6,586,703	663,413	7,250,116	6,095,343	6,604,345
	17,346,048	154,411	17,500,459	6,586,703	663,413	7,250,116	10,250,343	10,759,345
Equipment and vehicles								
Furniture and equipment	709,116	-	709,116	557,196	70,912	628,108	81,008	151,920
Vehicles	329,912	-	329,912	207,498	32,991	240,489	89,423	122,414
	1,039,028	-	1,039,028	764,694	103,903	868,597	170,431	274,334
	84,624,043	1,976,403	86,600,446	37,182,324	3,705,064	40,887,388	45,713,058	47,441,719
Summary								
Land	9,189,100	-	9,189,100	-	-	-	9,189,100	9,189,100
Site improvements	3,326,290	1,108,445	4,434,735	2,398,988	258,701	2,657,689	1,777,046	927,302
Buildings	71,069,625	867,958	71,937,583	34,018,642	3,342,460	37,361,102	34,576,481	37,050,983
Furniture and equipment	709,116	-	709,116	557,196	70,912	628,108	81,008	151,920
Vehicles	329,912	-	329,912	207,498	32,991	240,489	89,423	122,414
	84,624,043	1,976,403	86,600,446	37,182,324	3,705,064	40,887,388	45,713,058	47,441,719

Greater Sudbury Housing Corporation

Schedule of Tangible Capital Assets ... *continued*

Schedule 2

For the year ended December 31

Capital assets in the schedule of tangible 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