

Financial statements

**Ottawa Community Housing Corporation**

December 31, 2016



Building a better  
working world

# Independent auditors' report

To the Board of Directors of  
**Ottawa Community Housing Corporation**

## Report on the Financial Statements

We have audited the accompanying financial statements of **Ottawa Community Housing Corporation**, which comprise the balance sheet as at December 31, 2016, and the statements of operations and surplus, reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the *Housing Services Act* and guidance in its application by the City of Ottawa as Service Manager 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 disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements are prepared, in all material respects, in accordance with the *Housing Services Act* and the guidance in its application by the City of Ottawa as Service Manager as at December 31, 2016.



**Basis of accounting and restriction on use**

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. As required by the *Ontario Business Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors, Shareholders and Service Manager of the Corporation. 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.

*Ernst & Young LLP*

Ottawa, Canada  
May 18, 2017

Chartered Professional Accountants  
Licensed Public Accountants

**Ottawa Community Housing Corporation**  
 Incorporated under the laws of Ontario

**Balance sheet**

[in thousands of Canadian dollars]

As at December 31

	2016	2015
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	65,575	44,250
Rent receivable	1,834	1,989
Other accounts receivable	749	1,008
HST receivable	2,018	1,964
Prepaid expenses	2,888	2,792
<b>Total current assets</b>	<b>73,064</b>	<b>52,003</b>
Capital assets <i>[note 3]</i>	283,191	269,430
	<b>356,255</b>	<b>321,433</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current</b>		
Subsidies payable – City of Ottawa (service manager) <i>[note 14]</i>	1,214	192
Accounts payable and accrued liabilities <i>[note 14]</i>	17,945	15,177
Accrued interest on long term debt	793	767
Prepaid rents	1,613	1,604
WSIB benefits costs – current <i>[note 11]</i>	435	419
Current portion of long term debt <i>[note 5]</i>	17,954	18,242
<b>Total current liabilities</b>	<b>39,954</b>	<b>36,401</b>
Employee benefits costs <i>[note 10]</i>	4,154	3,999
WSIB benefits costs – future <i>[note 11]</i>	2,158	2,028
Forgivable loans <i>[note 4]</i>	9,719	9,797
Long term debt <i>[note 5]</i>	245,639	230,670
<b>Total liabilities</b>	<b>301,624</b>	<b>282,895</b>
Contingent liabilities <i>[note 12]</i>		
<b>Shareholders' equity</b>		
Contributed surplus <i>[note 7]</i>	2,400	2,400
Reserves <i>[note 8]</i>	52,231	36,138
<b>Total shareholders' equity</b>	<b>54,631</b>	<b>38,538</b>
	<b>356,255</b>	<b>321,433</b>

See accompanying notes

On behalf of the Board:



Director



Director

## Ottawa Community Housing Corporation

### Statement of operations and surplus

[in thousands of Canadian dollars]

Year ended December 31

	2016	2015
	\$	\$
<b>Revenue</b>		
Rents	65,583	65,191
Subsidies		
Service manager	60,173	62,631
Service manager – safer communities	2,436	2,413
Other revenue	8,424	4,359
	<u>136,616</u>	<u>134,594</u>
<b>Operating costs</b>		
Utilities	23,964	23,439
Building operations	21,430	22,050
Staffing costs	31,243	30,210
Administration and other	5,572	5,650
<b>Total operating costs</b>	<u>82,209</u>	<u>81,349</u>
<b>Fixed costs</b>		
Municipal taxes	1,129	1,107
Interest on long term debt	12,324	12,705
Depreciation of capital assets	18,277	18,639
	<u>31,730</u>	<u>32,451</u>
<b>Total expenses</b>	113,939	113,800
Net revenues before reserve contribution for the year	22,677	20,794
Contributions to reserves	(22,677)	(20,794)
<b>Net surplus for the year</b>	<u>—</u>	<u>—</u>

See accompanying notes

## Ottawa Community Housing Corporation

### Statement of reserves

[in thousands of Canadian dollars]

Year ended December 31

	Capital Reserves	Vehicle	Invested in Capital Assets [Equity Program	Federal Operating Surplus	Public Housing Operating Reserve Fund	Community Reinvestment Fund	Green Fund	Total	
	\$	\$	\$	\$	\$	\$	\$	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>22,688</b>	—	<b>8,030</b>	<b>741</b>	<b>2,163</b>	<b>2,516</b>	—	<b>36,138</b>	49,117
Contributions from operations	18,739	—	—	832	(1,117)	284	3,939	<b>22,677</b>	20,794
Other contributions	—	—	—	—	—	—	1,691	<b>1,691</b>	2,624
Realized value from IO financing <i>[note 3]</i>	31,500	—	—	—	—	—	—	<b>31,500</b>	7,460
Interest income	436	—	—	14	42	48	—	<b>540</b>	493
Realized gains	—	—	—	—	—	2,849	—	<b>2,849</b>	662
Expenses	(39,604)	(945)	—	—	—	(1,740)	(875)	<b>(43,164)</b>	(45,012)
Interfund transfers	595	945	(819)	(834)	—	113	—	—	—
<b>Balance, end of year</b>	<b>34,354</b>	—	<b>7,211</b>	<b>753</b>	<b>1,088</b>	<b>4,070</b>	<b>4,755</b>	<b>52,231</b>	36,138

See accompanying notes

## Ottawa Community Housing Corporation

### Statement of cash flows

[in thousands of Canadian dollars]

Year ended December 31

	2016	2015
	\$	\$
<b>Operating activities</b>		
Net revenues before reserve contribution for the year	22,677	20,794
Add item not affecting cash		
Depreciation of capital assets	18,277	18,639
Changes in non-cash working capital balances		
Rent receivable and other accounts receivable	414	236
HST receivable and prepaid expenses	(150)	(479)
Subsidies payable – City of Ottawa (service manager)	1,022	(395)
Accounts payable and accrued liabilities	2,768	2,480
Accrued interest on long-term debt	26	(30)
Prepaid rents	9	411
Employee benefits costs	155	97
WSIB benefits costs	146	145
<b>Cash provided by operating activities</b>	<b>45,344</b>	<b>41,898</b>
<b>Investing activities</b>		
Redemption of marketable securities	—	10,000
Interest earned on reserves balance	540	493
<b>Cash provided by investing activities</b>	<b>540</b>	<b>10,493</b>
<b>Financing activities</b>		
Mortgages and debentures additions	49,613	17,265
Mortgages and debentures repayments	(34,932)	(22,781)
Changes in non-cash financing balances		
Forgivable loans	(78)	(34)
<b>Cash provided by (used in) financing activities</b>	<b>14,603</b>	<b>(5,550)</b>
<b>Capital activities</b>		
Other contributions made to reserves	4,540	3,286
Acquisition of capital assets	(538)	(1,956)
Capital expense charged to reserves	(43,164)	(45,012)
<b>Cash used in capital activities</b>	<b>(39,162)</b>	<b>(43,682)</b>
Net increase in cash and cash equivalents during the year	21,325	3,159
Cash and cash equivalents, beginning of the year	44,250	41,091
<b>Cash and cash equivalents, end of the year</b>	<b>65,575</b>	<b>44,250</b>
<b>Supplemental cash flow disclosure</b>		
Cash paid for interest	12,324	12,705

See accompanying notes

# Ottawa Community Housing Corporation

## Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

### 1. Organization

Ottawa Community Housing Corporation [the "Corporation"] provides and manages quality, safe and affordable housing for low and moderate income households in Ottawa.

Most of the mortgaged properties of the Corporation are governed by operating agreements with the Province of Ontario and/or Canada Mortgage and Housing Corporation ["CMHC"]. These agreements include provision for approval of rental rates, depreciation charges and contributions to the capital reserve.

The operating agreements are administered by the Service Manager ["City of Ottawa"] under the *Housing Services Act* ["HSA"]. The HSA came into force on January 1, 2012, and replaces the former *Social Housing Reform Act*.

The Corporation is a non-profit organization under paragraph 149(1)(d) of the *Income Tax Act* (Canada) and, as such, is not subject to income taxes.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with the reporting requirements of the HSA and of the City of Ottawa as Service Manager. The basis of accounting differs from Canadian Generally Accepted Accounting Standards ["CGAAP"] for the public sector, including the PS4200-4270 series for Government Not-for-profit organizations ["Government NPOs"] due to:

- [a] Capital repairs and replacement, including the acquisition of office furniture and equipment, are charged directly to the Capital Reserve in the statement of reserves [rather than being capitalized on the balance sheet and depreciated over their useful lives].
- [b] Capital assets governed by the reporting requirements of the HSA and of the City of Ottawa are recorded at the net value of the outstanding debt corresponding to those assets.
- [c] When outstanding debt corresponding to assets governed by the reporting requirements of the HSA and of the City of Ottawa is refinanced at an amount greater than the outstanding debt, the difference is recorded as an increase to capital assets and the Capital Assets Reserve.
- [d] Depreciation of capital assets [including land] governed by the reporting requirements of the HSA and of the City of Ottawa is provided on the same basis as the principal repayments on the corresponding debt during the year.
- [e] Interest income, realized and unrealized gains and losses and any impairment related to marketable securities are recorded directly to the statement of reserves rather than being recorded in the statement of operations and surplus.

Only capital assets within the Equity Program follow CGAAP for the public sector including the PS4200-4270 series for Government NPOs. The Equity Program is deemed to be the Invested in the Capital Assets Reserve as disclosed in the statement of reserves.

These financial statements are expressed in Canadian dollars and the following is a summary of the significant accounting policies used in the preparation of the Corporation's financial statements:

#### Functional currency

The financial statements are stated in thousands of Canadian dollars, which is the functional currency.



# Ottawa Community Housing Corporation

## Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

### Use of estimates

The preparation of these 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 revenue and expenses during the year. Actual results could differ from those estimates.

### Revenue recognition

The Corporation recognizes subsidies as revenue when received or receivable if all conditions required for the subsidy are met, the amount to be received can be reasonably estimated and collection is reasonably assured. Grants for capital purposes [repairs or new developments] are recognized as revenue in the Capital Reserve when received. The Corporation uses the accrual method of accounting to recognize rent revenue.

### Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt. The carrying values of the Corporation's financial instruments approximate their fair values unless otherwise noted.

Where long-term debt contains forgiveness clauses, they are recorded net of the forgiveness.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of 90 days or less as at the balance sheet date.

### Capital assets and depreciation

Capital assets governed by the reporting requirements of the HSA and of the City of Ottawa are recorded at the net value of the outstanding debt corresponding to those assets, less accumulated depreciation. All other capital assets [i.e. Equity Program] are recorded at cost less accumulated depreciation. Cost includes the original cost of the land, buildings and other related costs.

Depreciation of capital assets [including land] governed by the reporting requirements of the HSA and of the City of Ottawa is provided on the same basis as the principal repayments on the corresponding debt during the year. All other capital assets [i.e. the Equity Program] are depreciated using the straight-line method based on the estimated useful lives of the assets, which range from 30 to 50 years.

### Reserves

Capital repairs and replacement, including the acquisition of office furniture and equipment, are charged directly to the Capital Reserve in the statement of reserves.

Interest income, realized and unrealized gains and losses and any impairment related to marketable securities are recorded directly to the statement of reserves rather than being recorded in the statement of operations and surplus.

# Ottawa Community Housing Corporation

## Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

When outstanding debt corresponding to assets governed by the reporting requirements of the HSA and of the City of Ottawa is refinanced at an amount greater than the outstanding debt, the difference is recorded as an increase to capital assets and Capital Reserve.

### Employee future benefits and pension agreements

The Corporation has adopted the following policies with respect to employee benefit plans:

- [i] The Corporation's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due;
- [ii] The costs of termination benefits and compensated absences are recognized when an event that obligates the Corporation occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- [iii] The costs of post-retirement employee benefits are actuarially determined using the projected unit credit actuarial cost method. The discount rate is based on the Corporation's internal cost of borrowing and all other assumptions are based on management's best estimate of future events. Actuarial gains or losses are amortized over the expected remaining service life of the related employee groups; and
- [iv] The costs of the workplace safety and insurance obligations ["WSIB"] are actuarially determined based on the present value of future benefits on existing claims. The discount rate is based on the Corporation's internal cost of borrowing. Actuarial gains and losses are amortized over the term of the liabilities.

### 3. Capital assets

Capital assets consist of the following:

	2016	2015
	\$	\$
Land	73,271	73,271
Prepaid land leases	1,104	1,104
Buildings and equipment	484,649	452,846
	<b>559,024</b>	527,221
Less accumulated depreciation	275,833	257,791
<b>Net book value</b>	<b>283,191</b>	269,430

In 2016, eleven properties with a net book value of \$17,100, were refinanced with Infrastructure Ontario ["IO"]. The loan agreement with IO required a market evaluation and Environmental Site Assessment for each property. As a result, the Corporation was able to borrow \$48,600 from IO, which represents the fair value of the eleven properties. The Corporation used \$17,100 to repay the mortgages and the remaining balance of \$31,500 was transferred to the Capital Reserve. The Corporation recorded an increase in the property value for these properties at the refinanced value of \$31,500.

## Ottawa Community Housing Corporation

### Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

#### Additional housing units

##### Hayley Court

On October 29, 2014, the Board of Directors approved the reconstruction of 211 Lees Avenue with a redesign of 16 units. The rebuild cost \$4,026 and added two units [14 to 16] to the Community and was completed in 2016.

##### Michele Drive

In 2015, the Board of Directors approved an infill development within the existing Michele Heights community, with the construction of 6 family units, including 4 four bedroom units and 2 five bedroom units. In 2015, the City of Ottawa approved a forgivable loan of \$845 towards the project. In 2016 the agreement was amended and the forgivable loan was adjusted to \$800. Construction was completed in 2016 at a total cost of \$2,253. The Corporation financed \$1,453 of the total construction costs from the Community Reinvestment Fund.

##### Uplands Drive

On May 12, 2016, the Board of Directors approved an in-fill development within the Ashgrove Community (3225 Uplands Drive), with the construction of 16 family units. In 2016, the City of Ottawa approved a forgivable loan of \$2,400 towards the project. The project is expected to be completed in 2017 at a total cost of \$4,900. Construction costs are being financed from the Community Reinvestment Fund and totalled \$52 in 2016.

##### Carlington Community Health Hub

On November 17, 2016, the Board of Directors approved a final construction budget for the joint venture with Carlington Community Health Centre (CCHC). The corporation has leveraged a partnership to build 42 units of seniors housing. The Corporation has secured grant funding from the City of Ottawa of \$4.6 million to fund that portion of costs related to the housing units. The total cost for the residential units is estimated at \$9.7 million. In 2016, the Corporation incurred \$562 in costs related to legal, architectural and engineering fees. These costs were expensed against the Community Reinvestment Fund ("CRF").

##### Disposition of Properties

As of November 30, 2015, the Board of Directors has adopted a comprehensive approach to portfolio management which includes new development and divestiture of select stock. In 2016 OCH sold the following properties: 1029 Gill Avenue, 2713 Marie Street, 801 Trojan Avenue, 230-232 Holland Avenue, 363 Madison Avenue and 666-668 Gardenvale Road. The proceeds from the sale of these units were \$2,849 and allocated to the CRF to support future development.

##### Demolition of Properties

In 2013, the Board of Directors approved the demolition of three properties (171 Bruyère, Carson's Bungalow, and the former Carson's Community House) that required extensive capital investment for repairs and deferred maintenance. In 2015, OCH demolished Carson's Bungalow and the former Carson's Community House and in March 2016 OCH demolished 171 Bruyère.

# Ottawa Community Housing Corporation

## Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

### 4. Forgivable loans

Forgivable loans consist of the following:

	2016	2015
	\$	\$
Canada-Ontario AHP [380 Somerset]	1,740	1,740
Canada-Ontario AHP [245 Crichton]	720	720
Residential Rehabilitation Assistance Program ["RRAP"]	59	92
Housing and Poverty Reduction [714 Carson]	4,000	4,000
Housing and Homelessness Investment [Old St. Patrick]	1,200	1,200
IAH 2014 and Capital Grant [2926 Michele Drive]	800	845
Dover Court Recreation Center [2 Van Lang Private]	1,200	1,200
<b>Forgivable loans total</b>	<b>9,719</b>	<b>9,797</b>

#### Canada-Ontario Affordable Housing Program ["AHP"]

The AHP loans are not repayable as long as the project is operated within the terms and conditions of the agreement entered into with the Ministry of Municipal Affairs and Housing ["MMAH"]. If the agreements are breached, the full value of the loans may be repayable prior to the maturity date.

As at December 31, 2016, the Corporation is in compliance with the terms and conditions of these agreements.

#### RRAP

These loans have been recorded as leasehold improvements which are depreciated at the same rate that the loans are forgiven. The balance of the RRAP loans are not repayable as long as the projects are managed and operated within the terms and conditions of the mortgage and operating agreement entered into with CMHC and ending on October 1, 2018.

As at December 31, 2016, the Corporation is in compliance with the terms and conditions of the agreements.

#### Housing and Poverty Reduction Investment Plan

The loan is not repayable as long as the project is operated within the terms and conditions entered into with the City of Ottawa. If the agreement is breached, the full value of the loan may be repayable at any time during the 35-year term ending on January 1, 2049.

#### Housing and Homelessness Investment Plan

The loan is not repayable as long as the project is operated within the terms and conditions entered into with the City of Ottawa. If the agreement is breached, the full value of the loan may be repayable at any time during the 35-year term ending on March 1, 2050.

#### Investment in Affordable Housing and Capital Grant

In 2015, the City of Ottawa approved a forgivable loan of \$845 towards the project and OCH booked the full \$845. In 2016 the agreement was amended and the forgivable loan was adjusted to \$800. The loan is not repayable as long as the project is operated within the terms and conditions entered into with the City of Ottawa. If the agreement is breached, the full value of the loan may be repayable at any time during the 35-year term ending on January 1, 2051.

## Ottawa Community Housing Corporation

### Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

#### Dover Court Recreation Center

The loan is not repayable as long as the terms and conditions entered with the City of Ottawa are within the agreement. If the agreement is breached, the full value of the loan may be repayable at any time during the 21-year term ending on June 1, 2036.

#### 5. Long-term debt

	2016	2015
	\$	\$
Mortgages	79,943	104,220
Debenture – Public Program	29,683	36,747
Debenture – Infrastructure Ontario	153,967	107,945
	<u>263,593</u>	248,912
Less current portion of long-term debt	17,954	18,242
Long-term debt	<u>245,639</u>	230,670

In 2016, the Corporation, working with Infrastructure Ontario, the City of Ottawa and the Ministry of Housing, refinanced eleven properties with long-term debt negotiated with Infrastructure Ontario. By extending the amortization period on new debt with a fixed interest rate, the Corporation generated additional funds for capital repair. The City of Ottawa has provided a commitment to extend the period of the mortgage subsidy on these eleven properties and provides payments directly to Infrastructure Ontario as a payment guarantee.

The refinancing was secured in the form of a promissory note in the amount of \$48,600 for long-term financing. The first tranche of \$9.9 million was issued on April 1, 2016. The note is repayable over 30 years at an interest rate of 3.61%, compounded monthly. The second tranche of \$38.7 million was issued on August 1, 2016. The note is repayable over 30 years at an interest rate of 3.27%, compounded monthly.

In 2016 OCH also refinanced 380 Somerset with the existing lender and raised an additional \$1,013 that was transferred to the CRF.

Principal repayments required for the years from 2017 to 2021 and thereafter for the Corporation's outstanding debt are expected to be approximately as follows:

	\$
2017	17,954
2018	18,047
2019	16,840
2020	14,984
2021	13,094
Thereafter	182,674
Principal repayments	<u>263,593</u>

# Ottawa Community Housing Corporation

## Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

### 6. Credit facility

The Corporation may avail up to \$2,000 with a chartered bank in the form of an operating credit line and/or standby letters of credit and/or letters of guarantee. The Corporation has outstanding letters of credit totalling \$1,216 on these instruments. These instruments bear interest at the bank's prime rate. The chartered bank includes a commission of 2.00% per annum and other fees of 0.25% per annum.

The Corporation may avail up to \$6,000 with a chartered bank in the form of a non-revolving bank loan to fund 50% of the purchase price for parcels of vacant land for the construction of social housing. The corporation has not drawn any amounts on this non-revolving bank loan. This instrument bears interest at the bank's prime rate, plus 0.25% per annum. The chartered bank includes a stand-by fee of .00125% on any unused portion per annum.

### 7. Contributed surplus

The contributed surplus of \$2,400 consists of \$1,650 which represents the net assets of the predecessor company [the City of Ottawa Non-Profit Housing Corporation] that was transferred to the Corporation effective September 2, 2002. The remaining \$750 represents the land value for the Crichton Street property that was gifted by the shareholder in 2010.

### 8. Reserves

The Corporation has the following reserves:

#### [a] Capital Reserve

Capital Reserve for the renovation or improvement of the contributing property for work which meets the definition of capital repairs and maintenance. In addition, acquisitions of new capital assets required to maintain and manage the portfolio are expensed against the Capital Reserve. Contributions are made on an annual basis in accordance with program requirements or operating agreements.

The contributions from operations amounted to \$18,739 in 2016 [2015 – \$19,154] which included \$435 [2015 – \$2,618] from the \$8.7 million under the Social Housing Improvement Program (SHIP) and the Housing and Homelessness Investment Plan approved by City Council.

In 2016, the Capital Reserve received the following interfund transfers:

- \$422 [2015 – \$497] from the Investment in Capital Assets Reserve to recognize annual amortization
- \$834 [2015 – \$1,952] from the Federal Operating Surplus to the Capital Reserve
- \$284 [2015 – zero] from the Equity Operating Surplus to the Capital Reserve

The Corporation also made the following interfund transfer from Capital Reserve during the year:

- \$945 [2015 – \$691] to the Vehicle Reserve to cover deficit in this fund

## Ottawa Community Housing Corporation

### Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

#### **[b] Vehicle Reserve**

The Vehicle Reserve is used for the acquisition of new vehicles and \$945 [2015 – \$691] was expensed during the year for the purchase of new vehicles. The Vehicle Reserve received \$945 from the Capital Reserve to cover the deficit.

#### **[c] Investment in Capital Assets Reserve**

The Investment in Capital Assets Reserve consists of housing acquisitions within the Equity program. The reserve balance reflects the depreciation of the assets.

In 2016, the Corporation decreased the Investment in Capital Assets Reserve by \$819 [2015 – decrease of \$3,672], which reflects the following:

- \$422 [2015 – \$497] transferred to the Capital Reserve to recognize annual amortization
- \$1,013 transferred to the Community Reinvestment Fund to reflect receipt of mortgage proceeds for 380 Somerset

In 2016, the Investment in Capital Assets Reserve received the following interfund transfers:

- \$54 from the Community Reinvestment Fund to reflect the variance in the forgivable loan for the Van Lang development
- \$562 from the Community Reinvestment Fund to recognize development of Carlington Community Health Hub

#### **[d] Federal Operating Surplus**

The Federal Operating Surplus was identified in 2004 and consists of the cumulative operating surpluses generated in the Community Sponsored and the Limited Dividend Apartments programs, for sites where operating agreements still exist. Operating surpluses in the Federal program are contributed either to the Capital Reserve for the sites in the program or kept in the Federal Operating Surplus.

The Federal Operating Surplus made an interfund transfer to the Capital Reserve of \$834 [2015 – \$1,952] due to operating surplus generated by these sites.

#### **[e] Public Housing Operating Reserve**

In 2008, the Service Manager and the Corporation agreed on a new operating agreement that took effect January 1, 2009, which includes a revision to the calculation of subsidy funding for the Public Housing Program. The new subsidy funding follows a formula similar to the Provincial Reformed Program and allows for both an Operating and a Capital Reserve for the Public Housing Program. Contributions are made at year end in amounts set down in the subsidy calculations.

## Ottawa Community Housing Corporation

### Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

#### [f] Community Reinvestment Fund

The Community Reinvestment Fund is a discretionary reserve that exists to maintain or develop housing or services. In 2016, the Board of Directors approved the further sale of six properties, with proceeds to be contributed to the Community Reinvestment Fund and used to support new housing development. The gross proceeds from the sales amounted to \$2,849 [2015 – \$662] and were contributed to the Community Reinvestment Fund.

In 2016 the Corporation made the following interfund transfer from the Community Reinvestment Fund:

- \$54 to the Investment in Capital Assets Reserve to reflect the variance in the forgivable loan for the Van Lang development
- \$562 to the Investment in Capital Assets Reserve to recognize development of Carlington Community Health Hub
- \$284 [2015 – nil] from the Equity Operating Surplus to the Capital Reserve

In 2016, the Community Reinvestment Fund received the following interfund transfers:

- \$1,013 transferred from the Investment in Capital Assets Reserve to reflect receipt of mortgage proceeds for 380 Somerset

#### [g] Green Fund

The Green Fund was established in 2010 from grants received under the EcoENERGY Retrofit and Ontario Homes Energy Savings programs. The use of the reserve, which is at the discretion of management, is to support specific operational or capital expenditures which increase the environmental sustainability of the Corporation. Further contributions to the reserve may come from:

- [i] Net receipts from energy grants which have not formed part of the budget envelope of the Capital Works Program;
- [ii] A proportion of net savings generated from sustainability projects when systems are in place to adequately quantify such savings; and
- [iii] A proportion of new income generated by sustainability projects [i.e. sale of energy].

In 2016, the Corporation received contributions of \$3,939 [2015 – nil] from operations to reflect proceeds received from Hydro rebates. In addition, the Corporation received \$1,691 [2015 – \$939] from grants, rebates and photovoltaic electricity sales.

### 9. Pension agreements

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund ["OMERS."] which is a multi-employer plan on behalf of most of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. The Corporation's contribution to the OMERS plan for 2016 was \$2,531 [2015 – \$2,357] for current services and is included as an expense in the statement of operations and surplus. These contributions were matched with identical employee contributions for both years.



# Ottawa Community Housing Corporation

## Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

### 10. Employee benefit costs

Employee benefit costs consist of the following:

	2016 \$	2015 \$
Post-retirement Benefits	2,970	2,864
Vested Employee Benefits	1,184	1,135
<b>Employee Benefit Costs</b>	<b>4,154</b>	<b>3,999</b>

The defined benefit plan relating to post-retirement benefits provides medical benefits to the Corporation's employee bargaining units and is applicable to employees who retire between the ages of 55 and 65 with an unreduced pension.

The continuity for post-retirement benefits for 2016 is as follows:

	\$
Balance, beginning of the year	2,864
Service cost	119
Interest cost	91
Amortization of actuarial gain	(45)
Benefits paid	(59)
<b>Balance, end of year</b>	<b>2,970</b>

The liability for post-retirement benefits is calculated based on estimates of future outlays required under contractual agreements with the Corporation's employee bargaining units. These estimates are based on a number of assumptions regarding the expected costs of benefits, which are dependent on the demographic makeup of the bargaining units, future interest rates, and inflation rates. The Corporation engages the services of an actuarial consulting firm to provide a determination of the Corporation's obligation for post-retirement benefits.

Due to the complexities in valuing the plan, an actuarial valuation is conducted on a periodic basis. The liabilities reported in these financial statements are based on a valuation as at December 31, 2013 with an extrapolation to December 31, 2016.

Gains and losses are generated from each year due to changes in certain assumptions and clarifications to the plan previously provided by the Corporation. These gains and losses are not expensed in the current year but rather amortized over the expected average remaining service life of the related employee groups. In 2016, amortization began for a 2015 gain of \$23. Amortization for a 2016 loss of \$49 will commence in 2017.

## Ottawa Community Housing Corporation

### Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

A number of estimates and assumptions are utilized in determining an actuarial valuation of benefit plans. The significant actuarial assumptions adopted in measuring the Corporation's accrued obligation for post-retirement and benefit cost for post-retirement benefits are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	3.70%	3.90%
Health care inflation rate	9.0% grading linearly to 4.5% in 2031	9.0% grading linearly to 4.5% in 2031

#### 11. WSIB

The Corporation is a Schedule 2 Employer under the *Workplace and Safety Insurance Act* and, as such, assumes full responsibility for financing its workplace safety insurance costs. The accrued obligation represents the present value of future benefits on existing claims.

The continuity for WSIB benefits costs for 2016 is as follows:

	<u>\$</u>
Balance, beginning of the year	2,447
Service cost	406
Interest cost	119
Amortization of actuarial loss	40
Benefits paid	(419)
Less current portion WSIB benefits costs	<u>(435)</u>
<b>Balance, end of year</b>	<u><b>2,158</b></u>

The liability for WSIB benefits is calculated based on the present value of future benefits on existing claims. The Corporation engages the services of an actuarial consulting firm to provide a determination of the Corporation's obligation for future WSIB benefits.

Due to the complexities in valuing the future benefit costs, actuarial valuations are conducted on a periodic basis. The liabilities reported in these financial statements are based on a valuation as at December 31, 2014 with an extrapolation to December 31, 2016.

Gains and losses are generated for each valuation due to changes in certain assumptions and changes in existing claims previously provided by the Corporation. These gains and losses are not expensed in the current year, but rather amortized over the term of the liabilities, which is approximately 10 years.

## Ottawa Community Housing Corporation

### Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

A number of estimates and assumptions are utilized in determining an actuarial valuation of the future benefit costs. The significant actuarial assumptions adopted in measuring the Corporation's present value of future benefits per the most recent valuation are as follows:

	2016 %	2015 %
Discount rate	4.25	4.25
Loss of earnings	1.75	1.75
Health care benefits	(1.75)	(1.75)
Fully indexed survivor benefits	2.25	2.25
Non-economic loss awards	3.75	3.75

#### 12. Contingent liabilities

In the normal course of operations, the Corporation becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending as at December 31, 2016 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

#### 13. Commitments

The Corporation has commitments on capital projects as at December 31, 2016 in the amount of \$18,519 [2015 – \$12,585].

#### 14. Related party transactions

The Corporation transacts with its sole shareholder, the City of Ottawa and its subsidiaries, who also acts as the Service Manager for the subsidized programs. The transactions include receipt of subsidy payments and capital grants, purchases of electricity and water and sewage services and payment of property taxes. These transactions are all in the normal course of business for the Corporation.

#### Revenue and Accounts Payable/Receivable

Total subsidy revenue amounted to \$62,609 [2015 – \$65,044] with a balance of \$1,214 payable as at December 31, 2016 [2015 – \$192 payable].

# Ottawa Community Housing Corporation

## Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

### Expenses and Accounts Payable

The following expenses are included in the statement of operations and surplus for the year ended December 31, 2016:

	2016	2015
	\$	\$
Property tax	1,129	1,107
Electricity charges	10,638	10,031
Water and sewage costs	9,239	8,333

Included within accounts payable and accrued liabilities on the balance sheet as at December 31, 2016 is a balance payable of \$3,057 [2015 – \$2,190 payable].

### 15. Capital management

In managing capital, the Corporation focuses on liquid resources available for operations and capital expenditures. The Corporation's objective is to have sufficient liquidity to manage both operating and capital expenditures. The need for sufficient liquidity is considered in the preparation of an annual budget and in the monitoring of cash flows and actual results compared to the budget. As at December 31, 2016, the Corporation has met its objective of having sufficient liquidity to meet its current obligations.

### 16. Financial instruments

#### Credit risk

The Corporation is exposed to credit risk on the rents receivable from tenants and on other receivables from other parties. In order to reduce its credit risk, the Corporation has adopted credit policies which include the regular review of outstanding receivables. The Corporation does not have a significant exposure to any individual tenant or other parties.

#### Interest rate risk

The investments with flexible interest rates will expose the Corporation to interest rate risk. There is risk of market value adjustments on investments which may result in cash flow risk. As at December 31, 2016, the Corporation has no holdings in equities or bonds.

The short-term bank credit facilities bear interest at fluctuating rates. Due to the positive cash flow of the Corporation, there has been no need to use the credit facility in the last few years, thus the exposure to interest rate risk on this facility is nominal. All other financial assets and liabilities, in the form of receivables and payables, are non-interest bearing. There is an interest rate risk in the Equity program with regard to refinancing of mortgages at renewal.

## Ottawa Community Housing Corporation

### Notes to financial statements

[in thousands of Canadian dollars]

December 31, 2016

#### **Market risk**

Market risk includes the risk arising from changes in interest rates and the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

Concentration of risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. The Corporation has adopted an investment policy, with a target mix of investment types designed to achieve optimal return within reasonable risk tolerance. As at December 31, 2016, the Corporation has no holdings in equities or bonds.

## Schedule of mortgages, debentures and loans

As at December 31

Mortgages								
Program and property	Maturity date	Interest rate	Principal 31-Dec-15	Mortgage renewal issued in 2016	Interest	Repayments 2016 Principal	Yearly Payment	Principal 31-Dec-16
		%	\$	\$	\$	\$	\$	\$
<b>Bank of Montreal</b>								
<b>Provincial reformed</b>								
Hintonburg Place	1-Mar-28	6.011%	4,968,913	—	284,513	283,943	568,456	4,684,970
<b>Equity general</b>								
Head office	01-May-16; 01-May-21	4.91%/2.790%	1,394,587	—	47,110	71,167	118,277	1,323,420
Carson road	1-Jan-26	3.800%	3,000,000	—	102,471	67,556	170,027	2,932,444
<b>Total Bank of Montreal</b>			<b>9,363,500</b>	<b>—</b>	<b>434,094</b>	<b>422,666</b>	<b>856,760</b>	<b>8,940,834</b>
<b>Canada Mortgage and Housing Corporation</b>								
<b>Limited Dividend - Apartments</b>								
MacDonald Manor	1-Oct-17	5.875%	98,803	—	4,350	52,606	56,955	46,197
Pere Charlebois	1-Oct-17	5.875%	40,128	—	1,767	21,366	23,132	18,762
Donald Court	1-Jan-17 & 1-Oct-17	6.125% & 5.375%	63,773	—	2,423	47,014	49,437	16,759
Blair House	1-Oct-17	6.125%	56,759	—	2,605	30,182	32,787	26,577
<b>Community Sponsored</b>								
Carson/Paul	1-Sep-27	8.000%	1,759,676	—	121,503	84,000	205,504	1,675,676
Riddell	1-Oct-27	8.000%	147,094	—	10,175	6,940	17,114	140,154
Edgeworth, 460	1-Oct-27	8.000%	243,838	—	16,868	11,501	28,369	232,337
Tweedsmuir	1-Feb-28	8.000%	419,911	—	29,250	18,897	48,147	401,014
Beausejour 2	1-Feb-29	8.000%	2,796,094	—	200,739	112,593	313,332	2,683,501
Ashgrove	1-Feb-29	8.000%	2,948,526	—	212,594	119,784	332,378	2,828,742
<b>Municipal Non-Profit</b>								
Cahill Place	1-Sep-16	4.320%	1,598,361	(1,396,906)	43,301	201,455	244,756	—
Cairine Court	1-Sep-16	4.480%	656,838	(529,759)	17,859	127,080	144,939	—
Dubeau Court	1-Sep-16	4.480%	282,952	(228,210)	7,670	54,744	62,414	—
Bathgate Court	1-Sep-16	2.630%	473,190	(340,940)	7,272	132,250	139,523	—

## Schedule of mortgages, debentures and loans

As at December 31

Mortgages									
Program and property	Maturity date	Interest rate	Principal 31-Dec-15	Mortgage renewal issued in 2016	Interest	Repayments 2016 Principal	Yearly Payment	Principal 31-Dec-16	
		%	\$	\$	\$	\$	\$	\$	\$
Loretta/Young	1-Jun-17	4.720%	185,607	—	6,080	122,331	128,411	63,276	
Shearwater Court	1-Jun-17	4.720%	342,968	—	11,236	226,045	237,281	116,923	
Lebreton 3	1-Aug-17	4.720%	182,532	—	6,244	107,845	114,089	74,687	
Tapiola Court	1-Aug-19	3.440%	1,312,026	—	39,510	341,735	381,245	970,291	
Beausejour 4	1-Jun-20	3.150%	89,724	—	2,540	18,860	21,400	70,864	
Haley Court	1-Apr-21	3.150%	295,720	—	8,519	51,752	60,271	243,968	
Christie Place	1-Jun-21	3.150%	1,234,246	—	35,657	208,891	244,548	1,025,355	
Woodland Place	1-Jun-21	3.150%	1,396,860	—	40,355	236,413	276,768	1,160,447	
<b>Provincial Reformed</b>									
Strathcona: Wiggins, 301-427	1-Sep-16	4.320%	2,410,768	(2,278,719)	67,451	132,050	199,501	—	
Strathcona: Goulburn, 300	1-Sep-16	4.480%	2,963,483	(2,853,232)	86,651	110,251	196,902	—	
Strathcona: Renovations 2	1-Mar-18	4.370%	164,422	—	6,918	10,401	17,318	154,021	
Lavigne Court	1-Sep-19	3.440%	2,080,724	—	67,786	212,255	280,041	1,868,469	
Cameron Court	1-Jun-21	3.150%	2,159,241	—	63,891	259,467	323,358	1,899,774	
Esson Place	1-Jun-21	3.150%	2,041,636	—	60,412	245,335	305,746	1,796,301	
<b>Total Canada Mortgage and Housing Corporation</b>			<b>28,445,900</b>	<b>(7,627,766)</b>	<b>1,181,626</b>	<b>3,304,043</b>	<b>4,485,666</b>	<b>17,514,095</b>	
<b>Scotia mortgage</b>									
<b>Municipal Non-Profit</b>									
Mackay, 375	1-Aug-16	5.033%	9,877	—	185	9,877	10,062	—	
Woodland Place	1-Sep-18	4.443%	917,626	—	37,479	145,797	183,276	771,829	
<b>Provincial Reformed</b>									
Bronson Terrace	1-May-16	4.894%	779,277	(749,851)	15,595	29,426	45,021	—	
Mayview, 1433	1-May-16	4.894%	1,360,246	(1,308,881)	27,221	51,364	78,585	—	
Lexington	1-May-16	4.894%	2,084,124	(2,005,438)	41,708	78,686	120,394	—	
St. Laurent Place	1-Aug-16	5.033%	5,678,979	(5,408,081)	186,161	270,898	457,059	—	
Cumberland/George	1-Jan-17	4.366%	1,936,570	—	79,767	204,561	284,328	1,732,009	
Karsh Court	1-Jun-17	4.713%	1,733,849	—	75,966	233,802	309,768	1,500,047	
McCartin Place	1-Jun-17	4.713%	2,991,022	—	135,333	201,255	336,588	2,789,767	
St. Peter's Court	1-Sep-17	4.946%	1,700,532	—	78,399	217,953	296,352	1,482,579	
Winthrop Court	1-Sep-18	4.443%	1,886,562	—	78,765	214,287	293,052	1,672,275	
Marion Dewar Place	1-May-24	5.830%	7,133,246	—	403,417	286,604	690,021	6,846,642	
<b>Total Scotia Mortgage</b>			<b>28,211,910</b>	<b>(9,472,251)</b>	<b>1,159,996</b>	<b>1,944,510</b>	<b>3,104,506</b>	<b>16,795,148</b>	

## Schedule of mortgages, debentures and loans

As at December 31

Mortgages								
Program and property	Maturity date	Interest rate	Principal 31-Dec-15	Mortgage renewal issued in 2016	Interest	Repayments 2016	Yearly Payment	Principal 31-Dec-16
		%	\$	\$	\$	Principal \$	\$	\$
<b>Toronto Dominion Bank</b>								
<b>Equity General</b>								
380 Somerset Street	01-Mar-16; 01-Apr-26	4.80%/2.700%	2,565,505	1,013,313	93,392	96,776	190,168	3,482,042
Arlington	1-Dec-18	6.040%	1,044,589	—	60,826	54,865	115,691	989,724
<b>Provincial Reformed</b>								
Strathcona: Wiggins 310, 320 & 430	1-Mar-17	4.547%	7,300,664	—	318,400	509,743	828,143	6,790,921
Lady Stanley Place	1-Aug-23	6.005%	3,127,978	—	176,579	332,097	508,675	2,795,881
Vachon Place	1-Nov-23	5.967%	2,863,978	—	164,225	171,017	335,242	2,692,961
McAuley Place	1-Jun-24	6.100%	7,831,957	—	459,816	437,272	897,088	7,394,685
Scotthill	1-Dec-24	6.752%	6,382,367	—	413,898	367,102	781,000	6,015,265
<b>Total Toronto Dominion Bank</b>			<b>31,117,038</b>	<b>1,013,313</b>	<b>1,687,136</b>	<b>1,968,872</b>	<b>3,656,007</b>	<b>30,161,479</b>
<b>Royal Bank</b>								
<b>Municipal Non-Profit</b>								
Lebreton 2	1-Jun-16	4.821%	49,314	—	689	49,315	50,003	—
Beausejour 3	1-Jun-16	4.821%	14,667	—	204	14,667	14,871	—
2-50 Jessica	1-Nov-17	4.963%	4,018,547	—	191,731	254,441	446,172	3,764,106
Brain Bourns, Place	2-Aug-19	4.204%	1,329,056	—	53,563	96,376	149,939	1,232,680
Strathcona: Wiggins, 300	1-Mar-21	4.088%	1,669,950	—	65,232	135,464	200,696	1,534,486
<b>Total Royal Bank</b>			<b>7,081,534</b>	<b>—</b>	<b>311,419</b>	<b>550,263</b>	<b>861,681</b>	<b>6,531,272</b>
<b>Grand total all mortgages</b>			<b>104,219,882</b>	<b>(16,086,704)</b>	<b>4,774,271</b>	<b>8,190,354</b>	<b>12,964,620</b>	<b>79,942,828</b>



## Schedule of debentures - infrastructure Ontario

As at December 31

Institution	Maturity date	Interest rate	Principal 31-Dec-15	Mortgage renewal issued in 2016	Interest	Repayments 2016 Principal	Yearly Payment	Principal 31-Dec-16
Program and property		%	\$	\$	\$	\$	\$	\$
<b>Infrastructure Ontario</b>								
<b>Various Projects</b>	16-Jan-40	4.960%	17,045,518		837,305	361,843	1,199,148	16,683,675
<b>Equity General</b>								
312 Cumberland	2-Jun-36	4.710%	4,115,968	—	191,247	122,189	313,436	3,993,779
Richelieu Court	15-Jul-36	4.600%	1,164,153	—	52,824	34,774	87,598	1,129,379
Ron Kolbus Place	16-Dec-43	4.540%	4,255,771	—	191,619	77,167	268,786	4,178,604
<b>Tranche 1-2012</b>								
Lebreton1, Fairlea Court, Rockingham, Hasenack Place, Lebreton 55-65, Blohm Court	3-Jul-42	3.930%	24,211,858	—	942,097	527,190	1,469,287	23,684,668
<b>Tranche 2-2012</b>								
Allard Place, Strathcona: Sentier	3-Dec-42	3.870%	8,924,449	—	342,008	191,243	533,251	8,733,206
<b>Tranche 1-2013</b>								
Strathcona: Renovations 1 Gilmour, May Nickson place	2-Aug-42	4.380%	11,236,151	—	483,409	214,855	698,264	11,021,296
<b>Tranche 2-2013</b>								
Bruyère & Bélanger Manor Strathcona:Nancy Smith, Eva Taylor, Orchard Grove. Revell Court	2-Dec-43	4.570%	15,762,146	—	708,130	286,270	994,400	15,475,876
<b>Tranche 2-2014</b>								
Strathcona: Wiggins, 206-296 Silver Heights	3-Nov-44	3.810%	9,165,367	—	346,125	177,318	523,443	8,988,049
<b>Tranche 2015</b>								
Thornccliffe Court; Spadina Place; Nepean Place	15-Oct-45	3.790%	12,063,751	—	453,380	222,364	675,744	11,841,387
<b>Tranche 1-2016</b>								
212 Bronson Avenue; 1433 Mayview; 507 Riverdale	2-May-46	3.610%	—	9,900,000	207,507	107,952	315,459	9,792,048
<b>Tranche 2-2016</b>								
Cahill Place; Cairine Court; Dubeau Court; Bathgate Court; Lebreton 2; Strathcona Wiggins 301-427; Strathcona: Goulburn 300: St. Laurent	2-Aug-46	3.270%	—	38,700,000	420,792	254,608	675,400	38,445,392
<b>Infrastructure Ontario</b>			<b>107,945,132</b>	<b>48,600,000</b>	<b>5,176,443</b>	<b>2,577,773</b>	<b>7,754,216</b>	<b>153,967,359</b>

**Schedule of mortgages, debentures and loans**

Debentures	Maturity date	Interest rate %	Principal 31-Dec-15 \$	Repayments 2016		Principal 31-Dec-16 \$
				Interest \$	Principal \$	
<b>Debentures payable - public program</b>						
Various Projects	1-Jan-14 to 1-Jan-26		36,746,501	2,325,240	7,063,560	29,682,941
<b>Total debentures - public program</b>			<b>36,746,501</b>	<b>2,325,240</b>	<b>7,063,560</b>	<b>29,682,941</b>
<b>GRAND TOTAL – all mortgages and debentures</b>			<b>248,911,515</b>	<b>12,275,954</b>	<b>17,831,687</b>	<b>263,593,128</b>

