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The Regional Municipality of Durham Report

To: The Shareholder of the Durham Regional Local Housing Corporation
From: Elaine Baxter-Trahair, Chief Executive Officer, Durham Regional Local Housing Corporation
Stella Danos-Papaconstantinou, Deputy Chief Executive Officer, Durham Regional Local Housing Corporation
Nancy Taylor, Treasurer, Durham Regional Local Housing Corporation
Report: Durham Regional Local Housing Corporation Annual Shareholder Meeting
Date: June 26, 2024

Subject:

2024 Durham Regional Local Housing Corporation Annual Shareholder Meeting

Recommendation:

It is recommended that pursuant to the Ontario *Business Corporations Act*, RSO 1990 (the "OBCA"), the Council of the Regional Municipality of Durham, in its capacity as the sole shareholder of the Durham Regional Local Housing Corporation (the "Corporation"), resolve that:

- A) The financial statements of the Corporation which comprise the Statement of Financial Position as at December 31, 2023, and the Statements of Operations and Accumulated Surplus, Change in Net Financial Assets and Cash Flows for the year ended December 31, 2023, and the Independent Auditor's Report thereon, all as submitted to the shareholder by the board of directors, be received;
- B) The shareholder hereby waives its right to receive general or special notice of an annual meeting of the shareholder of the Corporation;
- C) The shareholder hereby waives its right to receive an advance copy of the corporation's 2023 financial statements and Independent Auditor's Report;
- D) All by-laws, resolutions, contracts, acts and proceedings of the board of directors of the Corporation enacted, passed, made, done or taken since the last annual meeting of shareholder of the Corporation as set forth or referred to in the minutes of the meetings and resolutions of the board of directors in the minute and record book of the Corporation or in the financial statements of the Corporation are hereby approved, ratified and confirmed; and,

- E) The Regional Chair and Clerk be authorized to sign the shareholder's resolution evidencing the approval of the aforementioned matters.
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Report:**1. Purpose**

- 1.1 This report is submitted to the Regional Municipality of Durham, the sole shareholder of the Durham Regional Local Housing Corporation (the "Corporation"), for the purpose of conducting the statutory annual meeting as required pursuant to the provisions of the Ontario *Business Corporations Act*, RSO 1990 (the "OBCA").

2. Background and OBCA Requirements

- 2.1 The Corporation is incorporated pursuant to the provisions of the OBCA.
- 2.2 The OBCA requires that financial statements be prepared as prescribed by legislation and present the financial position of the Corporation in accordance with generally accepted accounting principles. The 2023 financial statements for the Corporation have been prepared using public sector accounting standards appropriate for a government not-for-profit organization. Deloitte LLP are the current auditors of the Corporation and have completed the audit of the financial statements of the Corporation, which comprise the Statement of Financial Position as at December 31, 2023, and the Statements of Operations and Accumulated Surplus, Change in Net Financial Assets and Cash Flows for the year ended December 31, 2023.
- 2.3 The OBCA requires that the Corporation's financial statements be received before an annual meeting of shareholders within six months of the financial year end referred to in the financial statements. Enclosed herewith as Attachment "A" are the audited financial statements for the year ended December 31, 2023, which were approved by the board of directors on May 9, 2024.
- 2.4 The OBCA provides that a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders. Given that the Regional Municipality of Durham is the sole shareholder of the Corporation it is possible to dispense with the formality of convening an annual shareholder meeting by having Regional Council approve and authorize the execution of a written shareholder's resolution. This method of proceeding has been used previously for annual shareholder meetings of the Corporation and continues to be recommended in the present circumstance.
- 2.5 The OBCA sets out a number of requirements regarding notice of the shareholders meeting and provision of copies of the audited financial statements that are applicable to public corporations but are not typically useful for a corporation with only one shareholder. As such, it is permitted for the sole shareholder of such a

corporation to waive strict compliance with those notice requirements. Such a waiver of this corporate requirement is recommended in the present circumstance.

- 2.6 Finally, it is requested that the shareholder of the Corporation ratify the actions of the board of directors since the preceding annual shareholder's meeting. While the Corporation holds title to its assets, the business of operating the housing stock is conducted by Region of Durham staff under the terms of a service contract with the Corporation. Regional Council has established business and financial reporting practices for all regionally delivered services through its existing committee structure. Any decisions made by the board of directors for the Corporation would be brought for the approval of Regional Council through the reports to the applicable committee. Therefore, the ratification of the board of directors' actions at the annual shareholder's meeting is strictly a corporate formality.

3. Previous Reports and Decisions

- 3.1 A report similar to this one is presented annually to the shareholder of the Corporation to obtain approval and authorization in the execution of the written shareholder's resolution.

4. Relationship to Strategic Plan

- 4.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- a. Goal 5.3 Service Excellence - The financial statements demonstrate the commitment to transparency and accountability by communicating the annual financial results.

5. Conclusion

- 5.1 Given that the Regional Municipality of Durham is the sole shareholder of the Corporation, it is recommended that the shareholder dispense with the formality of convening an annual shareholder's meeting and have Regional Council approve and authorize the execution of a written shareholder's resolution.
- 5.2 It is recommended that all by-laws, resolutions, contracts, acts and proceedings of the board of directors of the Corporation enacted, passed, made, done or taken since the last annual meeting of shareholders of the Corporation as set forth or referred to in the minutes of the meetings and resolutions of the board of directors in the minute and record book of the Corporation or in the financial statements of the Corporation be hereby approved, ratified and confirmed.
- 5.3 Attached hereto as Attachment "B" is a written shareholder's resolution for use with respect to the aforementioned resolutions.

6. Attachments

Attachment A: Durham Regional Local Housing Corporation Audited Financial Statements as at December 31, 2023

Attachment B: Resolutions of the Sole Shareholder of the Durham Regional Local Housing Corporation

Respectfully submitted,

Original Signed By

Elaine Baxter-Trahair
Chief Executive Officer
Durham Regional Local Housing Corporation

Original Signed By

Stella Danos-Papaconstantinou
Deputy Chief Executive Officer
Durham Regional Local Housing Corporation

Original Signed By

Nancy Taylor, BBA, CPA, CA
Treasurer
Durham Regional Local Housing Corporation

Financial statements of

**Durham Regional Local Housing
Corporation**

December 31, 2023

Independent Auditor's Report

To the Board of Directors of
Durham Regional Local Housing Corporation

Opinion

We have audited the financial statements of the Durham Regional Local Housing Corporation (the "Corporation"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023, and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

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

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 PSAS, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Corporation'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 Corporation'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 Corporation 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 9, 2024

Durham Regional Local Housing Corporation

Statement of Financial Position

Year ended December 31, 2023

	2023	2022
		(Restated - Note 3)
	\$	\$
FINANCIAL ASSETS		
Cash	21,419,179	17,947,333
Accounts receivable	1,210,058	1,922,709
Region of Durham subsidy receivable	283,700	49,138
	<u>22,912,937</u>	<u>19,919,180</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	2,652,931	2,188,902
Rent received in advance	69,278	97,022
Asset retirement obligation (Note 5)	34,793,061	33,722,376
	<u>37,515,270</u>	<u>36,008,300</u>
NET FINANCIAL ASSETS	<u>(14,602,333)</u>	<u>(16,089,120)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	19,423,381	16,621,755
ACCUMULATED SURPLUS (Note 6)	<u>4,821,048</u>	<u>532,635</u>

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

Durham Regional Local Housing Corporation

Statement of Operations and Accumulated Surplus

Year ended December 31, 2023

	2023		2022
	Budget	Actual	Actual
	\$	\$	\$
			(Restated - Note 3)
REVENUES			
Rent	7,551,062	7,642,203	7,569,814
Region of Durham subsidy	14,185,116	13,992,667	15,079,340
Other	170,000	1,390,985	372,994
Federal grant (Note 7)	-	29,868	3,420
Provincial grant (Note 7)	-	1,608,165	1,164,502
	21,906,178	24,663,888	24,190,070
EXPENSES			
Purchased services	4,038,535	4,015,021	4,226,394
Property taxes	2,791,637	2,807,336	2,712,196
Utilities	2,352,601	2,306,671	2,206,339
Property maintenance, materials and supplies	4,088,119	6,731,263	6,968,310
Renovations and replacements	2,850,000	2,038,812	661,608
Amortization	972,739	929,319	1,164,179
Insurance	255,762	255,762	234,000
Administration	236,634	190,103	106,969
Rental write-offs	80,000	30,503	20,112
Accretion expense (Note 5)	-	1,070,685	1,037,737
	17,666,027	20,375,475	19,337,845
ANNUAL SURPLUS	4,240,151	4,288,413	4,852,225
ACCUMULATED SURPLUS, BEGINNING OF YEAR	532,635	532,635	24,330,809
Adjustment on adoption of the asset retirement obligation standard (Note 3)	-	-	(28,650,399)
ACCUMULATED SURPLUS, END OF YEAR	4,772,786	4,821,048	532,635

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

Durham Regional Local Housing Corporation

Statement of Change in Net Financial Assets

Year ended December 31, 2023

	2023	2022
		(Restated - Note 3)
	\$	\$
OPERATING		
Annual surplus	4,288,413	4,852,225
Acquisition of tangible capital assets	(3,734,371)	(1,853,369)
Amortization of tangible capital assets	929,319	1,164,179
Gain on disposal of tangible capital assets	(468,399)	-
Proceeds on disposal of tangible capital assets	471,825	-
Increase in Net Financial Assets	1,486,787	4,163,035
NET FINANCIAL ASSETS, BEGINNING OF YEAR	(16,089,120)	12,432,484
Adjustment on adoption of the asset retirement obligation standard (Note 3)	-	(32,684,639)
NET FINANCIAL ASSETS, END OF YEAR	(14,602,333)	(16,089,120)

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

Durham Regional Local Housing Corporation

Statement of Cash Flows

Year ended December 31, 2023

	2023	2022
		(Restated - Note 3)
	\$	\$
OPERATING ACTIVITIES		
Annual surplus	4,288,413	4,852,225
Non-cash charges to operations		
Amortization of tangible capital assets	929,319	1,164,179
Gain on disposal of tangible capital assets	(468,399)	-
Accretion expense	1,070,685	1,037,737
Change in non-cash assets and liabilities		
Accounts receivable	712,651	(1,171,843)
Region of Durham subsidy receivable	(234,562)	1,403,505
Accounts payable and accrued liabilities	464,029	(71,278)
Rent received in advance	(27,744)	(10,980)
Net increase in cash from operating activities	6,734,392	7,203,545
CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(3,734,371)	(1,853,369)
Proceeds on disposal of tangible capital assets	471,825	-
Net decrease in cash from capital activities	(3,262,546)	(1,853,369)
NET INCREASE IN CASH	3,471,846	5,350,176
CASH, BEGINNING OF YEAR	17,947,333	12,597,157
CASH, END OF YEAR	21,419,179	17,947,333

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

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

1. Incorporation

As part of the provincial local services realignment program, the Regional Municipality of Durham (the "Region") acts as service manager for social housing located in the municipality. To facilitate the transfer of social housing units of the Ontario Housing Corporation ("OHC") located in the Region, on January 1, 2001, the Durham Regional Local Housing Corporation ("LHC") was established under the provisions of the Ontario Business Corporations Act, with the Region as its sole shareholder. Nominal consideration was given for the 100 common shares issued upon incorporation.

Under the provisions of a transfer order prepared under authority of the Social Housing Reform Act, 2000, the LHC was the recipient on January 1, 2001 of assets, liabilities, rights and obligations previously owned by the OHC. Effective on the date of the transfer, the Region, as service manager, and the LHC are responsible for the management and operation of the housing projects transferred and are bound by the requirements set out in the legislation.

Income-producing properties acquired as a result of the transfer were originally financed by the Province of Ontario (the "Province") through general obligation provincial debentures. At the time of the transfer of ownership of the assets from the OHC to the LHC, the Province did not transfer the responsibility for the repayment of the debentures. Accordingly, the value of the related provincial debentures was not recorded in the LHC's financial statements.

2. Significant Accounting Policies

The financial statements of the LHC are representations of management prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the LHC and changes thereto. The Statement of Financial Position reports financial assets and liabilities, and the non-financial assets of the LHC. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the LHC and is the difference between assets and liabilities.

(a) Basis of accounting

i. Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred, or transfers are due.

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

2. Significant Accounting Policies (Continued)

ii. Financial instruments

Financial instruments reported on the Statement of Financial Position are measured as follows:

<u>Financial instrument</u>	<u>Measurement</u>
Cash	Amortized cost
Investments	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial instruments measured at amortized cost are carried using the effective interest method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Financial instruments measured at fair value are recorded based on prices quoted in an active market.

iii. 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.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

	<u>Useful life - years</u>
Land improvements	20
Buildings and building improvements	15 - 70
Vehicles	5
Machinery and equipment	10

Annual amortization is charged in the year of acquisition and in the year of disposal.

Tangible capital assets under construction are not amortized until the tangible capital assets are in service.

iv. Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

2. Significant Accounting Policies (Continued)

- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date. Where cash flows are expected over future periods, the liability is recognized using a present value technique and adjusted yearly for accretion expense. The accretion expense increases the carrying amount of the liability for Asset Retirement Obligations due to the passage of time.

The recognition of a liability results in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the tangible capital asset accounting policies.

At remediation, the LHC derecognizes the liability. In some circumstances, gains or losses may be incurred upon settlement related to the ongoing measurement of the liability and the corresponding estimates that were made, with the gains or losses recognized in the statement of operations.

v. Government transfers

Government transfers are recognized in the period during which the transfers are authorized, and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to recognize the transfer. For such transfers, revenue is recognized when the stipulation has been met.

vi. Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include accounts receivable, tangible capital assets, accounts payable and accrued liabilities.

In addition, the LHC's implementation of *Public Sector Accounting Standard 3280 - Asset Retirement Obligations* has resulted in an update to estimate of the useful lives of affected tangible capital assets and estimates of the expected retirement costs, as well as the timing and duration of these retirement costs.

vii. Segment disclosure

Revenues and expenses of the segments identified below include amounts that are directly attributable to the segment and amounts that can be allocated on a reasonable basis. The accounting policies used in these segments are consistent with the accounting policies noted above.

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

2. Significant Accounting Policies (Continued)

(a) Social housing

Represents the property management and operating costs pertaining to the 1,273 social housing units transferred to the LHC from the OHC.

(b) Affordable housing

The LHC received funding under the “Canada-Ontario Affordable Housing Program (“AHP”): Rental and Supportive Component” for the development and construction of 12 one bedroom units at the Lakeview Harbourside site in the City of Oshawa, and 5 one bedroom units at the Perry Street site in the Township of Uxbridge. Property management and operating costs charged to this segment are recovered from tenant rents and rent supplements.

3. Change in Accounting Policies

PS 3280 Asset Retirement Obligations

On January 1, 2023, the LHC adopted *Public Accounting Standard PS 3280 – Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption with restatement of prior period comparative amounts. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

In accordance with the provisions of this method, the LHC reflected the following adjustments as at January 1, 2023:

- An increase of \$10,700,294 to the Buildings capital asset account, representing the original estimate of the obligation as of the later of 1985, the year this obligation arose, or the year of acquisition. An accompanying increase of \$6,857,494 (January 1, 2022 - \$6,666,054) to Accumulated Amortization, representing the years of increased amortization, had this obligation been recognized.
- An asset retirement obligation in the amount of \$33,722,376 (January 1, 2022 - \$32,684,639), representing the original obligation discounted to the present value using a rate of 3.175%.
- A decrease to Opening Accumulated Surplus of \$29,879,577 (January 1, 2022 - \$28,650,399), resulting from the recognition of the liability and accompanying increase in amortization expense and accretion expense since the later of 1985 or the year of acquisition.

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

4. Tangible Capital Assets

The net book value of tangible capital assets is comprised of the following:

	2023	2022 (Restated - Note 3)
	\$	\$
Land	46	46
Land improvements	1,655,486	615,272
Building and building improvements	13,705,763	12,359,631
Vehicles	-	3,210
Machinery and equipment	527,246	547,152
	<u>15,888,541</u>	<u>13,525,311</u>
Work in progress	<u>3,534,840</u>	<u>3,096,444</u>
	<u>19,423,381</u>	<u>16,621,755</u>

The Schedule of Tangible Capital Assets (Schedule 1) discloses the changes in cost and accumulated amortization by category.

(a) *Work in progress*

Work in progress, having a carrying value of \$3,534,840 (2022 - \$3,096,444), has not been amortized. Amortization of these assets will commence when the assets are put in service.

(b) *Tangible capital assets recognized at nominal value*

Land has been assigned a nominal value due to the difficulty in determining a tenable valuation on these assets.

(c) *Works of art or historical treasures*

No works of art or historical treasures are held by the LHC.

(d) *Other*

During the year there were no write-downs of assets (2022 - \$Nil), no interest was capitalized (2022 - \$Nil), and there are no capital lease obligations (2022 - \$Nil).

5. Asset Retirement Obligation

In accordance with the accounting policy outlined in Note 2 (a) iv, the LHC reports liabilities related to legal obligations where the LHC is obligated to incur costs to retire a tangible capital asset. The LHC owns buildings that contains asbestos and is legally required to perform abatement activities upon renovation or demolition of these assets. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The estimated total liability as at December 31, 2023 of \$34,793,061 (2022 - \$33,722,376) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 3.175% and assuming annual inflation of 3%.

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

5. Asset Retirement Obligation (Continued)

The LHC has not designated funds for settling the abatement activities and will include estimates in future budgets when abatement activities will be undertaken.

	2023	2022
	\$	\$
Balance, beginning of the year	33,722,376	-
Adjustment on adoption of asset retirement obligation standard (Note 3)	-	32,684,639
Liabilities incurred	-	-
Liabilities settled	-	-
Accretion expense	1,070,685	1,037,737
Changes in estimated cash flows	-	-
Estimated total liability	34,793,061	33,722,376

6. Accumulated Surplus

The accumulated surplus consists of the following:

	2023	2022 (Restated - Note 3)
	\$	\$
Tangible capital assets	19,423,381	16,621,755
Unfunded asset retirement obligation	(34,793,061)	(33,722,376)
Affordable housing capital reserve	61,033	53,157
Unexpended capital financing for approved capital	20,129,695	17,580,099
Accumulated surplus	4,821,048	532,635

7. Government Transfers

The LHC received approval for one time provincial grant funding for the repair and retrofit to social housing units to improve living conditions and fight climate change through Ontario's Climate Action Change Plan, Social Housing Apartment Improvement Program ("SHAIP"). The grant funding can only be spent on approved projects and the housing units funded must remain affordable for a ten-year period after the completion of the repair/retrofit activity. Grant funding is recognized as expenditures are incurred. The funding was fully utilized in 2023.

The renewal of building envelopes at two sites were approved for financing from the Canada Community Building Fund ("CCBF" - previously Federal Gas Tax). Grant funding is recognized as expenditures are incurred.

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

7. Government Transfers (Continued)

The following summarizes the eligible costs incurred for approved projects and the grant funding recognized:

	2023	2022
	\$	\$
Program costs		
SHAIP		
Building envelope replacements at 155 King St., Oshawa	105,093	946,615
Windows and door replacements at 655 Harwood Ave., Ajax	1,503,072	217,887
CCBF		
Overcladding at 155 King St., Oshawa	27,857	2,148
Windows and Building Automation System at 315 Colborne St. W., Whitby	2,011	1,272
Total	1,638,033	1,167,922
Program funding		
Federal grant	29,868	3,420
Provincial grant	1,608,165	1,164,502
Total	1,638,033	1,167,922

8. Risk Management

The LHC is exposed to a variety of financial risks. The following analysis provides a measure of the LHC's risk exposure at the statement of financial position date December 31, 2023:

a. *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Receivables from tenants represent the LHC's main credit risk. While lease agreements require the payment of rent at the beginning of the month, not all rent payments are received on time thereby requiring the LHC to extend credit to these tenants. Uncollected monthly rent is included in accounts receivable on the Statement of Financial Position. There was no change in exposure from the prior year.

b. *Liquidity risk*

Liquidity risk is the risk that the LHC will encounter difficulty in meeting obligations associated with financial liabilities. The LHC is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The LHC's objective is to have sufficient liquidity to meet its liabilities when due, and accordingly undertakes extensive budgeting and monitors its cash balances and cash flows generated from operations to meet its requirements. There was no change in exposure from the prior year.

c. *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk, interest rate risk, and commodity price risk.

Durham Regional Local Housing Corporation

Notes to the Financial Statements

December 31, 2023

8. Risk Management (Continued)

i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will vary in Canadian dollar terms because of changes in foreign exchange rates. The LHC does not have any foreign currency transactions or accounts subject to foreign exchange risks. There was no change in exposure from the prior year.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The LHC does not hold any investments or debt instruments and is not exposed to interest rate risk. There was no change in exposure from the prior year.

iii. Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The LHC does not hold financial instruments of this type and is not exposed to commodity price risk. There was no change in exposure from the prior year.

Durham Regional Local Housing Corporation

Schedule of Tangible Capital Assets

Year ended December 31, 2023

Schedule 1

	Land	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Work in progress	2023 Total
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, beginning of year	46	1,476,006	45,044,227	342,378	883,644	3,096,444	50,842,745
Additions	-	1,095,281	2,157,346	-	43,348	3,734,371	7,030,346
Work in process completed	-	-	-	-	-	(3,295,975)	(3,295,975)
Disposals	-	(26,502)	(36,480)	(28,783)	-	-	(91,765)
BALANCE, END OF YEAR	46	2,544,785	47,165,093	313,595	926,992	3,534,840	54,485,351
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	860,734	32,684,596	339,168	336,492	-	34,220,990
Amortization	-	55,067	807,788	3,210	63,254	-	929,319
Disposals	-	(26,502)	(33,054)	(28,783)	-	-	(88,339)
BALANCE, END OF YEAR	-	889,299	33,459,329	313,595	399,746	-	35,061,969
NET BOOK VALUE, END OF YEAR	46	1,655,486	13,705,763	0	527,246	3,534,840	19,423,381

Durham Regional Local Housing Corporation

Schedule of Tangible Capital Assets (Restated - Note 3)

Year ended December 31, 2022

Schedule 1 - Continued

	Land	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Work in progress	2022 Total
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, beginning of year	46	1,476,006	33,402,840	342,378	800,461	2,267,351	38,289,082
Adjustment relating to recognition of Asset Retirement Obligation (Note 3)	-	-	10,700,294	-	-	-	10,700,294
Additions	-	-	941,093	-	83,183	1,853,369	2,877,645
Work in process completed	-	-	-	-	-	(1,024,276)	(1,024,276)
Disposals	-	-	-	-	-	-	-
BALANCE, END OF YEAR	46	1,476,006	45,044,227	342,378	883,644	3,096,444	50,842,745
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	810,231	24,971,842	329,539	279,145	-	26,390,757
Adjustment relating to recognition of Asset Retirement Obligation (Note 3)	-	-	6,666,054	-	-	-	6,666,054
Amortization	-	50,503	1,046,700	9,629	57,347	-	1,164,179
Disposals	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	860,734	32,684,596	339,168	336,492	-	34,220,990
NET BOOK VALUE, END OF YEAR	46	615,272	12,359,631	3,210	547,152	3,096,444	16,621,755

Durham Regional Local Housing Corporation

Schedule of Segment Disclosure
Year ended December 31, 2023

Schedule 2

	Social Housing	Affordable Housing	2023 Total
	\$	\$	\$
REVENUES			
Rent	7,446,647	195,556	7,642,203
Region of Durham subsidy	13,992,667	-	13,992,667
Other	1,389,649	1,336	1,390,985
Federal grant funding	29,868	-	29,868
Provincial grant funding	1,608,165	-	1,608,165
	24,466,996	196,891	24,663,888
EXPENSES			
Purchased services	3,970,934	44,087	4,015,021
Property taxes	2,788,213	19,123	2,807,336
Utilities	2,269,473	37,198	2,306,671
Property maintenance, materials and supplies	6,617,179	114,084	6,731,263
Renovations and replacements	2,030,936	7,876	2,038,812
Amortization	809,617	119,702	929,319
Insurance	252,797	2,965	255,762
Administration	189,023	1,080	190,103
Rental write-offs	30,503	-	30,503
Accretion Expense	1,070,685	-	1,070,685
	20,029,360	346,114	20,375,475
ANNUAL SURPLUS			
	4,437,636	(149,223)	4,288,413
ACCUMULATED SURPLUS, BEGINNING OF YEAR	(2,034,203)	2,566,838	532,635
ACCUMULATED SURPLUS, END OF YEAR	2,403,433	2,417,615	4,821,048

Durham Regional Local Housing Corporation

Schedule of Segment Disclosure (Restated - Note 3)

Year ended December 31, 2022

Schedule 2 - Continued

	Social Housing	Affordable Housing	2022 Total
	\$	\$	\$
REVENUES			
Rent	7,377,925	191,889	7,569,814
Region of Durham subsidy	15,079,340	-	15,079,340
Other	371,798	1,196	372,994
Federal grant funding	3,420	-	3,420
Provincial grant funding	1,164,502	-	1,164,502
	23,996,985	193,085	24,190,070
EXPENSES			
Purchased services	4,173,200	53,194	4,226,394
Property taxes	2,692,322	19,874	2,712,196
Utilities	2,170,316	36,023	2,206,339
Property maintenance, materials and supplies	6,882,474	85,836	6,968,310
Renovations and replacements	653,885	7,723	661,608
Amortization	1,044,477	119,702	1,164,179
Insurance	231,287	2,713	234,000
Administration	105,806	1,164	106,970
Rental write-offs	20,112	-	20,112
Accretion Expense	1,037,737	-	1,037,737
	19,011,616	326,229	19,337,845
ANNUAL SURPLUS			
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,985,368	(133,144)	4,852,225
	21,630,828	2,699,981	24,330,809
Adjustment on adoption of the asset retirement obligation standard (Note 3)	(28,650,399)	-	(28,650,399)
ACCUMULATED SURPLUS, END OF YEAR	(2,034,203)	2,566,838	532,635

RESOLUTIONS OF THE SOLE SHAREHOLDER
OF
DURHAM REGIONAL LOCAL HOUSING CORPORATION

WHEREAS:

1. The Ontario Business Corporations Act (“OBCA”) requires that the board of directors of the Durham Regional Local Housing Corporation (the “Corporation”) call an annual shareholder’s meeting;
2. The standard business to be conducted at a shareholder’s meeting includes the consideration of the Corporation’s financial statements and independent auditor’s report, the approval of the minutes of any prior shareholder’s meetings, the election of directors, and the appointment of an auditor;
3. It is required that any by-laws passed by the board of directors be submitted to the shareholders for confirmation;
4. The Regional Municipality of Durham constitutes the sole shareholder of the Corporation;
5. The shareholder may deal with all matters required to be dealt with at a meeting of shareholders by executing a written shareholder’s resolution;
6. The shareholder may in writing waive its right to notice of a meeting of the shareholders, and its right to receive the financial statements and independent auditors’ report more than ten days in advance of the meeting of the shareholders; and,
7. At its meeting held May 9, 2024, the board of directors of the Corporation approved the audited annual financial statements to be considered by the shareholder.

The undersigned, being the sole shareholder of the Corporation, by its execution hereof consents, pursuant to the provisions of the OBCA to the following Resolutions in lieu of an annual meeting of the shareholder.

BE IT RESOLVED THAT:

1. The financial statements of the Corporation which comprise the Statement of Financial Position as at December 31, 2023, and the Statements of Operations and Accumulated Surplus, Change in Net Financial Assets and Cash Flows for the year ended December 31, 2023, and the Independent Auditor's Report thereon, all as submitted to the shareholder by the board of directors, be and the same are hereby received.
2. The Shareholder hereby waives its right to receive general or special notice of an annual meeting of the shareholder of the Corporation.
3. The shareholder hereby waives its right to receive an advance copy of the Corporation's 2023 financial statements and Independent Auditor's Report.
4. All by-laws, resolutions, contracts, acts and proceedings of the board of directors of the Corporation enacted, passed, made, done or taken since the last annual meeting of shareholders of the Corporation as set forth or referred to in the minutes of the meetings and resolutions of the board of directors in the minute and record book of the Corporation or in the financial statements of the Corporation are hereby approved, ratified and confirmed.
5. The Regional Chair and Clerk be authorized to sign the shareholder's resolution evidencing the approval of the aforementioned matters.

Each of the foregoing resolutions is hereby consented to by the shareholder of the Corporation pursuant to the OBCA this 26th day of June, 2024.

John Henry, Regional Chair and CEO

Alexander Harras, Regional Clerk