

Financial Statements of

**THE PRINCE EDWARD COUNTY  
AFORDABLE HOUSING  
CORPORATION**

And Independent Auditor's Report thereon

For the year ended December 31, 2023

DRAFT

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Prince Edward County Affordable Housing Corporation

### ***Opinion***

We have audited the financial statements of the Prince Edward County Affordable Housing Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the period then ended
- the statement of changes in net financial assets for the period then ended
- that statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

(date)

## **Management's Responsibility for the Financial Statements**

The accompanying financial statements of the Prince Edward County Affordable Housing Corporation (the "Entity") are the responsibility of the Entity's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Entity's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Entity. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Entity's financial statements.

---

Amanda Carter  
Director of Finance

---

Adam Goheen  
Director of Housing

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Index to Financial Statements

Year ended December 31, 2023

---

	Page
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus	2
Statement of Changes in Net Financial Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5

DRAFT

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

## Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 518,232	\$ 770,335
Accounts receivable	52,477	2,908
	<u>570,709</u>	<u>773,243</u>
Financial liabilities:		
Accounts payable and accrued liabilities	16,950	17,151
Due to the Corporation of the County of Prince Edward (note 2)	535,095	286,102
Loan payable (note 3)	36,000	36,000
	<u>588,045</u>	<u>339,253</u>
Net financial assets	(17,336)	433,990
Non-financial assets:		
Prepaid expenses	2,748	2,732
Tangible capital assets (note 4)	759,441	337,791
	<u>762,189</u>	<u>340,523</u>
Contingent liabilities (note 7)		
Accumulated surplus (note 5)	\$ 744,853	\$ 774,513

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

## Statement of Operations and Accumulated Surplus

For the year ended December 31, 2023, with comparative information for 2022

	Budget 2023 (note 6)	Actual 2023	Actual 2022
<b>Revenue:</b>			
Contribution from the Corporation of the County of Prince Edward (note 2)	\$ —	\$ —	\$ 150,000
CMHC contribution grant (note 7)	—	10,561	131,470
Interest income	—	26,504	10,733
Other income	—	4,952	—
	—	42,017	292,203
<b>Expenses:</b>			
Bank charges and interest	—	413	630
Insurance	—	10,955	11,958
Membership fees	—	463	1,049
Office expenses	—	15,377	8,906
Professional fees	—	19,975	18,502
Property taxes	—	21,215	19,168
Repairs and maintenance	—	2,890	565
Strategic initiative funding expense	—	—	27,295
Travel	—	389	814
Wages and benefits - administrative	—	—	33,982
	—	71,677	122,869
Annual surplus (deficit)	—	(29,660)	169,334
Accumulated surplus, beginning of year	774,513	774,513	605,179
Accumulated surplus, end of year	\$ 774,513	\$ 744,853	\$ 774,513

See accompanying notes to financial statements.



# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

## Statement of Changes in Net Financial Assets

For the year ended December 31, 2023, with comparative information for 2022

	Budget 2023 (note 6)	Actual 2023	Actual 2022
Annual surplus (deficit)	\$ –	\$ (29,660)	\$ 169,334
Acquisition of tangible capital assets	–	(421,650)	(211,220)
Acquisition of prepaid expenses	–	(16)	(285)
Change in net financial assets	–	(451,326)	(42,171)
Net financial assets, beginning of year	433,990	433,990	476,161
Net financial assets, end of year	\$ 433,990	\$ (17,336)	\$ 433,990

See accompanying notes to financial statements.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

## Statement of Cash Flows

For the year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (29,660)	\$ 169,334
Change in non-cash operating working capital:		
Accounts receivable	(49,569)	6,385
Prepaid expenses	(16)	(285)
Accounts payable and accrued liabilities	(201)	8,664
Due to the Corporation of the County of Prince Edward	248,993	286,102
	169,547	470,200
Capital activities:		
Acquisition of tangible capital assets	(421,650)	(211,220)
Investing activities:		
Decrease in investments	–	100,548
Financing activities:		
Increase in loan payable	–	36,000
Increase (decrease) in cash	(252,103)	395,528
Cash, beginning of year	770,335	374,807
Cash, end of year	\$ 518,232	\$ 770,335

See accompanying notes to financial statements.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements

For the year ended December 31, 2023

---

The Prince Edward County Affordable Housing Corporation (the "Corporation") is a corporation incorporated without share capital under the laws of Ontario.

The mandate of the Corporation is to increase the supply of affordable housing in Prince Edward County.

## 1. Significant accounting policies:

The financial statements of the Corporation are the representation of management prepared in accordance with Canadian public sector accounting standards ("PSAS").

### (a) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

### (b) Government transfers:

Government transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made.

### (c) Deferred revenue:

Deferred revenue represents amounts which have been collected for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal period in which the services are performed or the related expenses incurred.

### (d) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (e) 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 costs, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life - years
Buildings	40

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2023

---

## 1. Significant accounting policies (continued):

### (e) Tangible capital assets (continued):

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations and Accumulated Surplus.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, and reported on the Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

### (g) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

### (h) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2023

---

## 2. Related party transactions:

The Corporation and the Corporation of the County of Prince Edward are related by virtue of significant influence.

As at December 31, 2023 the Corporation received \$Nil (2022 - \$150,000) from the Corporation of the County of Prince Edward related to the annual operating grant.

The Corporation of the County of Prince Edward provides certain services and pays for certain expenses on behalf of the Corporation, for which it is then reimbursed. At December 31, 2023, there is a payable to the Corporation of Prince Edward in the amount of \$535,095 (2022 - \$286,102) related to these reimbursements.

All transactions with Corporation of the County of Prince Edward occur in the normal course of business and are recorded at their exchange amount which is the amount agreed upon by the related parties.

## 3. Loan payable:

- (a) In 2021, the Corporation entered into a seed funding loan agreement with the Canada Mortgage and Housing Corporation ("CMHC") under the Seed Funding Program established pursuant to Section 76 of the National Housing Act which provides funding for the development or implementation of proposals to help increase the supply of affordable housing and assist existing projects to remain viable and affordable.

This agreement states the maximum loan amount is \$36,000 and is related to the construction of 36 affordable units at Wellington Street, Prince Edward County. The agreement became effective January 4, 2021, with a 36 month term to incur eligible expenses. As at December 31, 2023, \$36,000 (2022 - \$36,000) had been incurred.

Repayment of this loan is due at the earlier of: i) project financing, ii) January 4, 2024, or iii) discontinuance or termination of the project by either the Corporation or CMHC. The loan is interest free until the repayment date, at which time the loan will bear interest at Canada's prime rate + 2%.

- (b) In 2021, the Corporation entered into a seed funding loan agreement with the Canada Mortgage and Housing Corporation ("CMHC") under the Seed Funding Program established pursuant to Section 76 of the National Housing Act which provides funding for the development or implementation of proposals to help increase the supply of affordable housing and assist existing projects to remain viable and affordable.

This agreement states the maximum loan amount is \$20,000 and is related to the construction of 20 affordable units at Disraeli Street, Prince Edward County. The agreement became effective December 16, 2021, with a 36 month term to incur eligible expenses. As at December 31, 2023, \$Nil (2022 - \$Nil) had been incurred.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2023

### 3. Loan payable (continued):

(b) (continued)

Repayment of this loan is due at the earlier of: i) project financing, ii) December 16, 2024, or iii) discontinuance or termination of the project by either the Corporation or CMHC. The loan is interest free until the repayment date, at which time the loan will bear interest at Canada's prime rate + 2%.

### 4. Tangible capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Building – Wellington Street	\$ 716,199	\$ –	\$ 716,199	\$ 304,463
Building – Disraeli Street	43,242	–	43,242	33,328
	\$ 759,441	\$ –	\$ 759,441	\$ 337,791

Cost and accumulated amortization at December 31, 2022 was \$337,791 and \$Nil, respectively.

Both buildings are work-in-progress and will be amortized once construction is complete and the buildings are in productive use.

Expected date of completion is fall 2024 for the Wellington Street building and fiscal 2025 for the Disraeli Street building. Expected costs to complete approximate \$5,000,000 which will be funded through contributions from the County.

### 5. Accumulated surplus:

Accumulated surplus consists of the following:

	2023	2022
Equity in tangible capital assets	\$ 759,441	\$ 337,791
Less: loan payable	(36,000)	(36,000)
	723,441	301,791
Reserves:		
Unrestricted	21,412	472,722
Accumulated surplus	\$ 744,853	\$ 774,513

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2023

---

## 6. Budget figures:

Budget figures reflected on the Statement of Operations and Accumulated Surplus are based on the 2023 operating budget as approved by the Board of Directors.

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

## 7. Contingent liabilities:

- (a) In 2021, the Corporation entered into a seed funding contribution agreement with the Canada Mortgage and Housing Corporation ("CMHC") under the Seed Funding Program established pursuant to Section 76 of the National Housing Act which provides funding for the development or implementation of proposals to help increase the supply of affordable housing and assist existing projects to remain viable and affordable.

This agreement states the maximum contribution amount is \$144,000 and is related to the construction of 36 affordable units at Wellington Street, Prince Edward County. The agreement became effective January 1, 2021 and expires on January 4, 2023. As at December 31, 2023, \$144,000 of this funding has been spent (2022 - \$144,000) and was recorded as revenue on the Statement of Operations and Accumulated Surplus in previous fiscal years.

The agreement outlines eligible activities and other terms required to maintain this funding. If any of the stated terms are deemed unsatisfactory by CMHC, funding may be subject to recovery.

- (b) In 2021, the Corporation entered into a seed funding contribution agreement with the Canada Mortgage and Housing Corporation ("CMHC") under the Seed Funding Program established pursuant to Section 76 of the National Housing Act which provides funding for the development or implementation of proposals to help increase the supply of affordable housing and assist existing projects to remain viable and affordable.

This agreement states the maximum contribution amount is \$80,000 and is related to the construction of 20 affordable units at Disraeli Street, Prince Edward County. The agreement became effective December 16, 2021 and expires on December 16, 2023. As at December 31, 2023, \$51,843 of this funding has been spent (2022 - \$41,282), with the incremental amount of \$10,561 recorded as revenue on the Statement of Operations and Accumulated Surplus.

The agreement outlines eligible activities and other terms required to maintain this funding. If any of the stated terms are deemed unsatisfactory by CMHC, funding may be subject to recovery.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2023

---

## 8. Financial risks:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss.

The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation as at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts is \$Nil (2022 - \$Nil).

### (b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no changes to the risk exposures from 2022.

## 9. Change in Accounting Policies – Adoption of new accounting standards:

- (a) On January 1, 2023, the Corporation 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 buildings owned by public sector entities.

The adoption of this standard did not result in an accounting policy change for the Corporation, and did not result in any adjustments to the financial statements as at January 1, 2023.



# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2023

---

## 9. Change in Accounting Policies – Adoption of new accounting standards (continued):

- (b) The Corporation adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.
- (i) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.
- (ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.