

Financial Statements of

**THE PRINCE EDWARD COUNTY  
AFORDABLE HOUSING  
CORPORATION**

And Independent Auditor's Report thereon

For the year ended December 31, 2022



**KPMG LLP**  
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## **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, 2022
- 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, 2022, 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.

### ***Emphasis of Matter – Comparative Information***

We draw attention to Notes 8 and 9 to the financial statements (Notes 8 and 9), which explains that certain comparative information presented for the year ended December 31, 2021 has been restated.

Notes 8 and 9 explain the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.



### ***Other Matter – Comparative Information***

The financial statements as at and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 21, 2022.

As part of our audit of the financial statements for the year ended December 31, 2022, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2021. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2021.

Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

### ***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.



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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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 25, 2023

## **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.

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Amanda Carter  
Director of Finance

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

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Year ended December 31, 2022

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# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

## Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021 (Restated - note 8)
<b>Financial assets:</b>		
Cash	\$ 770,335	\$ 374,807
Investments	–	100,548
Accounts receivable	2,908	9,293
	<u>773,243</u>	<u>484,648</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	17,151	8,487
Due to the Corporation of the County of Prince Edward (note 2)	286,102	–
Loan payable (note 3)	36,000	–
	<u>339,253</u>	<u>8,487</u>
<b>Net financial assets</b>	<b>433,990</b>	<b>476,161</b>
<b>Non-financial assets:</b>		
Prepaid expenses	2,732	2,447
Tangible capital assets (note 4)	337,791	126,571
	<u>340,523</u>	<u>129,018</u>
<b>Contingent liabilities (note 7)</b>		
<b>Accumulated surplus (note 5)</b>	<b>\$ 774,513</b>	<b>\$ 605,179</b>

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, 2022, with comparative information for 2021

	Budget 2022 (note 6)	Actual 2022	Actual 2021 (Restated - note 8)
<b>Revenue:</b>			
Contribution from the Corporation of the County of Prince Edward (note 2)	\$ 150,000	\$ 150,000	\$ 235,000
CMHC contribution grant (note 7)	–	131,470	53,812
Interest income	–	10,733	2,238
Other income	–	–	4,493
	150,000	292,203	295,543
<b>Expenses:</b>			
Bank charges and interest	–	630	817
Insurance	–	11,958	2,756
Membership fees	–	1,049	2,261
Office expenses	–	8,906	3,342
Professional fees	–	18,502	7,258
Property taxes	–	19,168	–
Repairs and maintenance	–	565	–
Strategic initiative funding expense	–	27,295	8,513
Training	–	–	365
Travel	–	814	1,318
Wages and benefits - administrative	–	33,982	106,931
	–	122,869	133,561
Annual surplus	150,000	169,334	161,982
<b>Accumulated surplus, beginning of year:</b>			
As previously stated		1,107,179	443,197
Correction of an error (note 8)		(502,000)	–
As restated		605,179	443,197
Accumulated surplus, end of year		\$ 774,513	\$ 605,179

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, 2022, with comparative information for 2021

	Budget 2022 (note 6)	Actual 2022	Actual 2021 (Restated - note 8)
Annual surplus	\$ 150,000	\$ 169,334	\$ 161,982
Acquisition of tangible capital assets	–	(211,220)	(126,571)
Acquisition of prepaid expenses	–	(285)	(577)
Change in net financial assets	150,000	(42,171)	34,834
Net financial assets, beginning of year	476,161	476,161	441,327
Net financial assets, end of year	\$ 626,161	\$ 433,990	\$ 476,161

See accompanying notes to financial statements.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

## Statement of Cash Flows

For the year ended December 31, 2022, with comparative information for 2021

	2022	2021
		(Restated - note 8)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 169,334	\$ 161,982
Change in non-cash operating working capital:		
Accounts receivable	6,385	(9,120)
Prepaid expenses	(285)	(577)
Accounts payable and accrued liabilities	8,664	2,109
Due to the Corporation of the County of Prince Edward	286,102	-
	470,200	154,394
Capital activities:		
Acquisition of tangible capital assets	(211,220)	(126,571)
Investing activities:		
Decrease in investments	100,548	560
Financing activities:		
Increase in loan payable	36,000	-
Increase in cash	395,528	28,383
Cash, beginning of year	374,807	346,424
Cash, end of year	\$ 770,335	\$ 374,807

See accompanying notes to financial statements.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements

For the year ended December 31, 2022

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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.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (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

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) 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.

## 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, 2022 the Corporation received \$150,000 (2021 - \$235,000) from the Corporation of the County of Prince Edward related to the annual operating grant.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2022

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## 2. Related party transactions (continued):

The Corporation of the County of Prince Edward provides certain services and pays for certain expenses on behalf of the Corporation, for which is it then reimbursed. At December 31, 2022, there is a payable to the Corporation of Prince Edward in the amount of \$286,102 (2021 - \$Nil) related to these reimbursements.

As at December 31, 2022, the Corporation received land with a fair market value of \$180,000 (2021 - land with a fair market value of \$502,000) from the Corporation of the County of Prince Edward. The funds exchanged were \$Nil (2022 - \$Nil) and the carrying value of the land transferred was \$Nil (2022 - \$Nil). This transaction was recorded at its exchange amount which was \$Nil.

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, 2022, \$36,000 (2021 - \$Nil) 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.

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2022

### 3. Loan payable (continued):

(b) (continued):

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, 2022, \$Nil (2021 - \$Nil) had been incurred.

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:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated - note 8)
Building – Wellington Street	\$ 304,463	\$ –	\$ 304,463	\$ 126,571
Building – Disraeli Street	33,328	–	33,328	–
	\$ 337,791	\$ –	\$ 337,791	\$ 126,571

Cost and accumulated amortization at December 31, 2021 was \$126,571 and \$Nil, respectively.

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

# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2022

## 5. Accumulated surplus:

Accumulated surplus consists of the following:

	2022	2021 (Restated - note 8)
Equity in tangible capital assets	\$ 337,791	\$ 126,571
Less: loan payable	(36,000)	-
	<u>301,791</u>	<u>126,571</u>
Reserves:		
Unrestricted	472,722	478,608
Accumulated surplus	<u>\$ 774,513</u>	<u>\$ 605,179</u>

## 6. Budget figures:

Budget figures reflected on the Statement of Operations and Accumulated Surplus are based on the 2022 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, 2022, \$144,000 of this funding has been spent (2021 - \$53,812) and is recorded as revenue on the Statement of Operations.

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, 2022

## 7. Contingent liabilities (continued):

- (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, 2022, \$41,282 of this funding has been spent (2021 - \$Nil) and is recorded as revenue on the Statement of Operations.

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.

## 8. Restatement of comparative information:

During the year, management determined that there was an error in the recording of the asset transfer of land between the Corporation and the Corporation of the County of Prince Edward. As the entities are related parties, the transfer should have been recorded at the carrying value, in the amount of \$Nil. The Corporation had previously recorded this transfer at the appraised fair market value. As a result of this correction, the annual surplus for 2021 as reported on the Statement of Operations and Accumulated Surplus has decreased by \$502,000 to \$161,982.

	2021
Annual surplus:	
As previously stated	\$ 663,982
To correct error in relation to:	
Fair market value of land asset transfer	(502,000)
Annual surplus, as restated	\$ 161,982



# THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2022

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## 8. Restatement of comparative information (continued):

	2021
Tangible capital assets:	
As previously stated	\$ 628,571
To correct error in relation to:	
Fair market value of land asset transfer	(502,000)
<hr/> Tangible capital assets, as restated	<hr/> \$ 126,571

## 9. Financial reporting framework:

During the year, the Corporation changed its financial reporting framework to Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 1 to the financial statements.

The adoption of these standards did not result in any adjustments to the financial statements as at January 1, 2021.