

Financial statements of

Peel Housing Corporation

December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Peel Housing Corporation

Opinion

We have audited the financial statements of Peel Housing Corporation, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, remeasurement gains and losses, change in net debt, 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 Peel Housing Corporation as at December 31, 2019, and the results of its operations, change in net debt and its cash flows for the year 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 ("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 Peel Housing 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 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 Peel Housing 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 Peel Housing Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Peel Housing 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 Peel Housing 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 Peel Housing 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 Peel Housing 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.

Chartered Professional Accountants
Licensed Public Accountants
April 16, 2020

Peel Housing Corporation Statement of Financial Position

As at December 31, 2019

	2019	2018
Financial assets		
Investments, unrestricted (Note 4)	\$ 20,209,305	\$ 19,391,497
Accounts receivable (Note 5)	7,858,444	5,289,830
Investments, restricted (Note 4)	17,035,723	18,877,848
	45,103,472	43,559,175
Liabilities		
Accounts payable and accrued liabilities (Note 8)	12,432,659	10,017,220
Deferred revenue	9,261,650	9,586,274
Post-employment liabilities (Note 9)	120,507	114,303
Mortgages payable on income producing properties (Note 10)	132,483,983	151,608,261
Long term debt (Note 11)	38,692,789	37,744,770
	192,991,588	209,070,828
Net debt	(147,888,116)	(165,511,653)
Non-financial assets		
Tangible capital assets (Note 6)	397,825,127	409,572,386
Prepaid expenses	1,385,719	1,225,798
	\$ 399,210,846	\$ 410,798,184
Accumulated surplus (Note 13)	\$ 251,322,730	\$ 245,286,531
Accumulated surplus comprising:		
Accumulated operating surplus	\$ 249,610,188	\$ 244,180,976
Accumulated remeasurement gains	1,712,542	1,105,555
	\$ 251,322,730	\$ 245,286,531

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

Peel Housing Corporation Statement of Operations

For the year ended December 31, 2019

	2019 Budget (Note 20)	2019 Actual	2018 Actual
Revenues			
Rental income	\$ 62,444,950	\$ 63,537,710	\$ 62,019,467
Non-rental income	4,934,831	4,822,568	5,205,720
Interest income from operations	251,258	518,228	475,308
Government grants (Note 17)	32,052,790	35,631,868	35,237,679
Investment income	721,090	721,090	489,231
Contributed capital (Note 12)	23,750	23,750	23,750
Total revenues	100,428,669	105,255,214	103,451,155
Expenses (Note 15)			
Social housing	121,225,811	99,826,002	89,181,847
Total expenses	121,225,811	99,826,002	89,181,847
Annual operating surplus (deficit)	(20,797,142)	5,429,212	14,269,308
Accumulated operating surplus, beginning of year	244,180,976	244,180,976	229,911,668
Accumulated operating surplus, end of year	\$ 223,383,834	\$ 249,610,188	\$ 244,180,976

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

Peel Housing Corporation

Statement of Remeasurement Gains and Losses

For the year ended December 31, 2019

	2019	2018
Accumulated remeasurement gain, beginning of year	\$ 1,105,555	\$ 1,415,262
Unrealized gain (loss) attributable to:		
Investments	606,987	(309,707)
Remeasurement gain (loss) for the year	606,987	(309,707)
Accumulated remeasurement gain, end of year	\$ 1,712,542	\$ 1,105,555

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

Peel Housing Corporation

Statement of Change in Net Debt

For the year ended December 31, 2019

	2019 Budget (Note 20)	2019 Actual	2018 Actual
Annual operating surplus	\$ (20,797,142)	\$ 5,429,212	\$ 14,269,308
Acquisition of tangible capital assets	-	(983,461)	(1,077,928)
Amortization of tangible capital assets	11,203,950	11,039,920	11,076,961
Write-down of tangible capital assets	-	1,690,800	-
	(9,593,192)	17,176,471	24,268,341
Acquisition of prepaid expenses	-	(167,208)	(1,502,328)
Use of prepaid expenses	-	7,287	1,437,401
	\$ -	\$ (159,921)	\$ (64,927)
Net remeasurement gains (losses)	-	606,987	(309,707)
	(9,593,192)	17,623,537	23,893,707
Net debt, beginning of year	(165,511,653)	(165,511,653)	(189,405,360)
Net debt, end of year	\$ (175,104,845)	\$ (147,888,116)	\$ (165,511,653)

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

Peel Housing Corporation

Statement of Cash Flows

As at December 31, 2019

	2019	2018
Operating activities		
Annual operating surplus	\$ 5,429,212	\$ 14,269,308
Items not involving cash		
Amortization of tangible capital assets	11,039,920	11,076,961
Write-down of tangible capital assets	1,690,800	-
Change in post-employment liabilities	6,204	5,104
Change in non-cash assets and liabilities		
Accounts receivable	(2,568,614)	(484,805)
Accounts payable and accrued liabilities	2,415,439	(1,453,088)
Deferred revenue	(324,624)	5,296,415
Prepaid expenses	(159,921)	(64,927)
Net change in cash from operating activities	17,528,416	28,644,968
Capital activity		
Acquisition of tangible capital assets	(983,461)	(1,077,928)
Net change in cash from capital activity	(983,461)	(1,077,928)
Investing activities		
Investment income earned during the year	721,090	489,231
Acquisitions (net of disposals) of unrestricted investments	(817,807)	(5,498,230)
Acquisitions (net of disposals) of restricted investments	1,728,022	(3,682,153)
Net change in cash from investing activities	1,631,305	(8,691,152)
Financing activities		
Proceeds from Peel Region loan	2,321,068	4,272,572
Repayment of long-term debt	(1,373,050)	(1,035,578)
Repayment of mortgages payable	(19,124,278)	(22,112,882)
Net change in cash from financing activities	(18,176,260)	(18,875,888)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Cash paid for interest	\$ 4,706,867	\$ 5,809,870
Cash received from interest	1,080,690	742,897

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

Peel Housing Corporation

Notes to the Financial Statements

For the year ended December 31, 2019

1. Introduction

Peel Housing Corporation (the "Corporation") was incorporated under the Ontario Business Corporations Act in 2003. The Corporation has issued 100 common shares which are owned entirely by The Regional Municipality of Peel (the "Region"). The Corporation was formed as a result of the amalgamation effective January 1, 2003 of Peel Non-Profit Housing Corporation with Peel Regional Housing Corporation. The Corporation is a not-for-profit organization that provides and operates housing accommodation for people with low and modest income in the Region of Peel.

Effective October 1, 2001, the Region assumed from the Province of Ontario (the "Province") responsibility as Service Manager for social housing located in the Region of Peel. Effective January 1, 2012, the Corporation manages and operates its social housing units under the provisions of *Housing Services Act* ("HSA") and related regulations.

The Corporation's Board of Directors is comprised of 5 Region of Peel staff. The purpose of the Board is to fulfill the functions of a Board of Directors for the Corporation and to implement the direction provided by the Shareholder.

2. Accounting Policies

The financial statements of the Corporation are the representation of management and are prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada").

The focus of PSAB financial statements is on the financial position of the Corporation and the changes thereto. The statement of financial position reports the financial assets and liabilities, and the non-financial assets of the Corporation. Financial assets are those assets that could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the Corporation's overall future revenue requirements and its ability to finance activities and meet its obligations.

a) Basis of Accounting

i. *Accrual Method of Accounting*

The Corporation follows the accrual method of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are the cost of goods or services acquired in the period, whether or not payment has been made or invoices received.

ii. *Recognition of Rental Income*

Rental income relates to rent revenue earned on the lease of the Corporation's social housing units. Revenue is recognized as earned over the term of the lease.

iii. *Recognition of Government Grants*

Government transfers are received from the Service Manager and the Province for the provision of social housing services, building construction and other capital expenditures.

(Unaudited)

Government grants are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, reasonable estimates of the amounts can be made, and there are no stipulations which give rise to a liability.

iv. Recognition and Measurement of Financial Instruments

The Corporation accounts for its accounts receivable, investments, accounts payable and accrued liabilities, and long term debt according to PSAB's standards for accounting and reporting financial instruments. Portfolio investments held in equity instruments that are quoted in an active market are reported at fair market value in the financial statements.

The fair value of investments is determined by the combination of the fair market value of investments with Encasa Financial Inc. ("Encasa") and a pro-rated portion of the Region's investments to reflect the fact that the balance of the Corporation's investments is pooled with the Region. Only the Encasa investment is reported at market value in the financial statements. Transaction costs are expensed as incurred.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate respective fair values due to their relatively short-term maturity. The carrying value of long term debt and vendor mortgage approximate fair value due to the terms and conditions of the borrowing arrangements compared to current market conditions of similar items.

v. 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, are amortized on a straight-line basis over their estimated useful lives as follows:

Assets	Useful life – years
Buildings	20 – 100
Building improvements	8 – 100
Equipment and furnishings	3 – 80
Vehicles	3

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 in service.

vi. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the time of contribution. Revenue at an equal amount is recognized at the time of contribution.

vii. Accounts Receivable

The rent receivable portion of accounts receivable includes backdated rent receivables as determined in accordance with the HSA. These are established at the point of discovery.

viii. Capitalization of Costs

The Corporation capitalizes all development or construction related direct costs to income-producing property under construction. These costs include realty tax, project management fees, interest on construction loans and/or the interest relating to short-term bridge financing.

ix. Reserves

The capital replacement reserves for projects governed by the HSA, are established according to the terms of the agreements with the Service Manager. The remaining unallocated operating

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surpluses (including non-HSA projects) are transferred to reserves designated for capital expenditures and working funds.

The working fund reserves were established by the Board of Directors to provide for unforeseen operating and capital expenditures for which alternative financing cannot be arranged.

The energy conservation reserve was established by the Board of Directors with a view to reduce utility costs. Interest is to be paid calculated on 100 basis points above the Canada Bond Yield's rate having a term to maturity equivalent to the term the reserve is being asked to invest.

x. *Mortgages Payable on Income Producing Property*

On the interest adjustment date, construction loans payable are transferred to mortgages payable on income-producing property. The interest adjustment date represents the effective date for commencement of mortgage payments and receipt of government grants based on the original mortgage commitment obtained to finance the project. To the extent that final mortgage requirements may differ from the original mortgage commitment when final construction costs are known, mortgages payable on income-producing property are adjusted accordingly.

xi. *Liability for Contaminated Sites*

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when a site is not in productive use and the following criteria are met:

- a) an environmental standard exists,
- b) contamination exceeds the environmental standard,
- c) the Corporation is directly responsible or accepts responsibility for the liability,
- d) future economic benefits will be given up, and,
- e) a reasonable estimate of the liability can be made.

A liability is recognized as management's estimate of the cost directly attributable to remediation activities and would include post-remediation operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

xii. *Use of Estimates*

The preparation of financial statements in conformity with the Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the period. Significant estimates relate to accounts receivable, accrued liabilities and amortization. Actual amounts could differ from those estimates.

3. Adoption of New Accounting Policy

Effective January 1, 2019, the Corporation adopted a new Canadian public sector accounting standard PS 3430 Restructuring Transactions on a prospective basis. The new standard provides guidance on accounting for, and reporting assets and liabilities transferred in restructuring transactions by both transferors and recipients. The adoption of this new standard has not had a material impact on these financial statements.

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4. Investments

Unrestricted and restricted investments reported on the statement of financial position have cost and market values as follows:

2019		
	Cost	Market Value
Investments, unrestricted	\$ 20,209,305	\$ 20,547,374
Investments, restricted	17,035,723	17,243,601
Total investments	\$ 37,245,028	\$ 37,790,975

2018		
	Cost	Market Value
Investments, unrestricted	\$ 19,391,497	\$ 19,593,541
Investments, restricted	18,877,848	19,032,841
Total investments	\$ 38,269,345	\$ 38,626,382

The Corporation's investments of \$2,896,596 (2018 – \$2,896,596) with Encasa had a fair market value of \$4,609,138, as at December 31, 2019 (2018 – \$4,002,151). The net accumulated unrealized gain of \$1,712,542 (2018 – \$1,105,555) for restricted investments is reported in the statement of re-measurement gains and losses and in the statement of financial position as an increase to restricted investments. The balance of the Corporation's funds are held with the Region for investment purposes which earn interest based on the Region's investment yield.

5. Accounts Receivable

Accounts receivable consists of the following:

	2019	2018
Rents	\$ 1,436,653	\$ 791,236
HST receivable	1,826,806	937,544
Other	3,903,628	3,561,050
Region of Peel	691,357	-
Total	\$ 7,858,444	\$ 5,289,830

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(Unaudited)

6. Tangible Capital Assets

2019

(All dollars in \$000)

Cost	Balance at December 31, 2018	Additions	Disposals & Write-downs	Balance at December 31, 2019
Land	\$ 142,174,480	\$ 78,599	\$ -	\$ 142,253,079
Buildings and building improvements	543,340,362	-	(1,690,800)	541,649,562
Vehicles	21,961	-	-	21,961
Equipment and furnishings	676,811	-	-	676,811
Construction work in progress	3,285,329	904,862	-	4,190,191
Total cost	\$ 689,498,943	\$ 983,461	\$ (1,690,800)	\$ 688,791,604

Accumulated Amortization	Balance at December 31, 2018	Disposals	Amortization	Balance at December 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	279,627,138	-	11,012,988	290,640,126
Vehicles	19,436	-	329	19,765
Equipment and furnishings	279,983	-	26,603	306,586
Total accumulated amortization	\$ 279,926,557	\$ -	\$ 11,039,920	\$ 290,966,477

Net Book Value	Balance at December 31, 2019
Land	\$ 142,253,079
Buildings and building improvements	251,009,436
Vehicles	2,196
Equipment and furnishings	370,225
Construction work in progress	4,190,191
Total net book value	\$ 397,825,127

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(Unaudited)

2018

(All dollars in \$000)

Cost	Balance at December 31, 2017	Additions	Disposals & Write-downs	Balance at December 31, 2018
Land	\$ 142,095,880	\$ 78,600	\$ -	\$ 142,174,480
Buildings and building improvements	543,340,362	-	-	543,340,362
Vehicles	21,961	-	-	21,961
Equipment and furnishings	676,811	-	-	676,811
Construction work in progress	2,286,001	999,328	-	3,285,329
Total cost	\$ 688,421,015	\$ 1,077,928	\$ -	\$ 689,498,943

Accumulated Amortization	Balance at December 31, 2017	Disposals	Amortization	Balance at December 31, 2018
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	268,578,757	-	11,048,381	279,627,138
Vehicles	17,459	-	1,977	19,436
Equipment and furnishings	253,380	-	26,603	279,983
Total accumulated amortization	\$ 268,849,596	\$ -	\$ 11,076,961	\$ 279,926,557

Net Book Value	Balance at December 31, 2018
Land	\$ 142,174,480
Buildings and building improvements	263,713,224
Vehicles	2,525
Equipment and furnishings	396,828
Construction work in progress	3,285,329
Total net book value	\$ 409,572,386

During the year, the Corporation capitalized \$182,966 (2018 – \$151,042) of interest relating to various capital projects. The write-down of tangible capital assets during the year of \$1,690,800 (2018 – \$Nil) was recorded in the statement of operations. The Corporation has no tangible capital assets recognized at a nominal value.

7. Contaminated Sites

As at December 31, 2019, there are no contaminated sites that meet the specified criteria and no liability (2018 – \$Nil) for contaminated sites has been recorded in these financial statements. It is the Corporation's practice to remediate all properties to an acceptable level based on the environmental standards for the intended use of the land.

(Unaudited)

8. Accounts Payable and Accrued Liabilities

The amount due to the Region as at December 31, 2019 of \$Nil (2018 – \$224,858) is not included in accounts payable and accrued liabilities and does not bear interest and has no specific terms of payment.

Long term debt payable to the Region is disclosed in Note 11.

9. Post-Employment Liabilities

The liability for retirement benefits on the statement of financial position is the result of a full actuarial valuation as at December 31, 2017, with an estimate as at December 31, 2019 for the Corporation's share of costs associated with extending the coverage for health, dental and life insurance benefits to qualifying employees, with estimates to December 31, 2020. Benefit coverage, except for life insurance coverage, ceases at the age of 65.

The following significant actuarial assumptions adopted in the valuation were based on management's best estimates.

• Future discount rates	4.0 per cent per year
• Future inflation rate	1.75 per cent per year
• Future salaries	Escalate at 2.75 per cent per year
• Future dental premium rates	Escalate at 3.75 per cent per year
• Future health care premium rates	Initial rate of 6.75 per cent decreasing by 0.33 per cent per year to the ultimate rate of 3.75 per cent

The following are the actuarial results for the accrued benefit liability reported on the statement of financial position:

Retirement Benefits Liability	2019	2018
Accrued benefit obligation at January 1	\$ 166,880	\$ 168,724
Add: benefit service cost	3,448	3,250
Add: interest accrued	6,530	6,580
Deduct: benefit payments	(10,722)	(11,674)
Expected accrued benefit obligation at December 31	166,136	166,880
Actual accrued benefit obligation at December 31	166,136	166,880
Deduct: unamortized actuarial loss	(45,629)	(52,577)
Liability at December 31	\$ 120,507	\$ 114,303

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		(Unaudited)
Retirement Benefits Expense	2019	2018
Current period benefit cost	\$ 3,448	\$ 3,250
Interest on accrued benefit obligation	6,530	6,580
Amortization of actuarial losses	6,948	6,948
Total	\$ 16,926	\$ 16,778

10. Mortgages Payable on Income Producing Properties

Mortgages are secured by a first charge on specific assets of the Corporation with amortization periods that range from 5 to 50 years and interest ranging from 1.04 per cent to 6.75 per cent. Generally, interest rates are fixed for either 5 or 10 years.

Estimated principal repayments in respect to these mortgages for the years 2020-2024 and thereafter are as follows:

	Principal Repayments
2020	\$ 18,176,320
2021	18,360,139
2022	18,285,184
2023	17,647,027
2024	16,464,486
Subsequent to 2024	43,550,827
Total	\$ 132,483,983

Interest paid during the year amounted to \$4,706,867 (2018 – \$5,809,870).

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(Unaudited)

11. Long Term Debt

Long term debt consists primarily of four loans from the Region and forgivable loans with the Province associated with some of the properties developed with the Region.

	2019	2018
Region of Peel Loans:		
2005 Summerville Pines Current term is 2.9 per cent for ten years from March 6, 2016 to March 5, 2026, amortized over 35 years; payments made are based on the operating surplus of the project.	\$ 5,218,123	\$ 6,233,522
Service Manager Capital/Infrastructure Repayable Subsidy Interest rates currently range from 2.99 to 3.85 per cent payable over 15 years commencing with the various property locations' respective Operating Agreement end dates.	25,678,929	23,982,247
2013 Land Acquisition Purchase of land adjacent to Twin Pines, with an interest rate of 3.2 per cent, with an open term to repay.	2,999,160	2,920,561
Twin Pines Site Development Development of the Twin Pines site, with an interest rate of 2.95 per cent, with an open term to repay.	2,901,077	2,689,190
Provincial loans (forgivable):		
Forgiven after 20 years once program requirements have been met.	1,895,500	1,919,250
Total	\$ 38,692,789	\$ 37,744,770

Interest paid during the year amounted to \$1,043,626 (2018 – \$971,227).

12. Contributed Capital

The following summarizes changes to the balance for contributed capital.

	2019	2018
Balance at the beginning of the year	\$ 18,878,754	\$ 18,855,004
Assisted Housing in Peel forgivable loan	23,750	23,750
Total	\$ 18,902,504	\$ 18,878,754

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13. Accumulated Surplus

The accumulated surplus consists of the following:

	2019	2018
Accumulated operating surplus:		
Investment in tangible capital assets	\$ 232,219,185	\$ 224,117,252
Reserves	23,563,575	24,557,157
Contributed capital	18,902,504	18,878,754
Capital fund	(25,678,929)	(23,982,244)
Accumulated surplus from operations	724,260	724,260
Unfunded liability – retiree benefits	(120,507)	(114,303)
Common shares	100	100
	249,610,188	224,180,976
Unrealized gain on restricted investments	1,712,542	1,105,555
Total Accumulated Surplus	\$ 251,322,730	\$ 245,286,531

14. Surplus / (Deficit) from Housing Program Administration

Overhead costs are related to administrative functions performed by the Region and are allocated based on the buildings' weighted unit count.

	2019	2018
Total revenue	\$ 1,180,084	\$ 833,773
Less: expenses	12,985,987	11,395,186
Deficit before the under noted items	(11,805,903)	(10,561,413)
Transfer of investment income to reserve funds	(282,049)	(253,666)
Transfer of investment revenue to last month's rent	(77,550)	(77,512)
Transfer of investment income to operations	(721,090)	(489,231)
Administrative expense recovered from operations	11,813,033	10,273,533
Administrative allocation to Region of Peel buildings	1,073,559	1,108,289
Surplus/deficit from housing program administration	\$ -	\$ -

(Unaudited)

15. Expenses by Object

The statement of operations reports expenses for the Corporation by function. The following is a summary of expenses by object.

	2019	2018
Salary and wages	\$ 4,320,478	\$ 4,642,359
Municipal taxes	13,398,487	12,983,393
Amortization	11,039,920	11,076,961
Debt interest charges	5,830,656	6,782,737
Other operating expenses	65,236,461	53,696,397
Total	\$ 99,826,002	\$ 89,181,847

16. Contingent Liabilities

As at December 31, 2019, the Corporation has certain legal disputes outstanding that have arisen in the ordinary course of operations. No provision has been made in 2019 for costs or losses, as all claims are expected to be covered by insurance or the consequences are undeterminable at this time.

17. Government Grants

The following represents three grants where funding was received up to December 31, 2019 from the Region's Social Housing Improvement Program ("SHIP"), the Social Housing Apartment Improvement Program ("SHAIP"), and the Early Learning Child Care Canada ("ELCC") Grants Program. SHIP and SHAIP grants were approved by the Service Manager and made available for eligible project costs that meet the conditions as specified in each respective grant agreement.

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

SHIP Projects

<i>Property</i>	<i>Project Description</i>	<i>SHIP Grant Approved</i>	<i>SHIP Eligible Expenses Incurred Prior to January 1, 2019</i>	<i>2019 SHIP Eligible Expenses Incurred January 1, 2019 to December 31, 2019</i>	<i>Excess of Approved SHIP Grant Over Expenses</i>
Britannia Place	Roofing Replacement	\$ 334,252	\$ 334,252	\$ -	\$ -
Castlebrooke	Elevators Modernization and Cab Retrofits	564,857	524,419	40,438	-
Conover	Roofing Replacement	276,461	276,461	-	-
Fairview Place	Balcony Remediation	747,269	622,215	125,054	-
Lakeside Court - TH	Asphalt Shingles, Eavestroughs and Downspouts Replacement and Assoc Works	52,867	52,867	-	-
Lakeview Promenade - APT	Elevators Modernization and Cab Retrofits	597,296	535,933	41,528	19,835
Meadows	Asphalt Shingles, Eavestroughs and Downspouts Replacement and Assoc Works	571,528	536,458	35,070	-
Whillan's Gate	Elevators Modernization	501,847	466,777	35,070	-
Chelsea Gardens	UPG Repairs and Associated Works	978,606	804,624	173,982	-
Maple Avenue	Generator / Fuel System Compliance Upgrade	44,961	44,961	-	-
	Total	\$ 4,669,944	\$ 4,198,967	\$ 451,142	\$ 19,835

The total amount of SHIP funding spent on the approved Eligible Project Costs in 2019 is \$451,142 (2018 - \$2,087,382).

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

SHAIP Projects

<i>Property</i>	<i>Project Description</i>	<i>SHAIP Grant Approved</i>	<i>SHAIP Eligible Expenses Incurred Prior to January 1, 2019</i>	<i>2019 SHAIP Eligible Expenses Incurred January 1, 2019 to December 31, 2019</i>	<i>Excess of Approved SHAIP Grant Over Expenses</i>
Bella Vista	Replacement of Unit and Site Lighting and Fixtures with LED	\$ 270,000	\$ -	\$ 220,194	\$ 49,806
Bella Vista	Underground Parking Garage (UPG) - 5 exhaust fans and Carbon Monoxide (CO) detectors	115,000	-	63,426	51,574
Gardenvue Court	Exhaust Ventilation - Garage (5 Units)	65,000	-	39,626	25,374
Gardenvue Court	Replacement with energy-efficient windows and doors, and associated exterior works	1,969,397	18,927	1,831,299	119,171
Gardenvue Court	Replacement of Unit and Site Lighting and Fixtures with LED	250,000	-	180,145	69,855
Surveyors Point	Replacement of Unit and Site Lighting and Fixtures with LED	177,000	-	139,989	37,011
Surveyors Point	Replacement with energy efficient Cooling Tower	88,000	-	120,670	(32,670)
Surveyors Point	Underground Parking Garage (UPG) - 2 exhaust fans	25,000	-	-	25,000
Surveyors Point	Replacement with energy-efficient windows and doors, and associated exterior works	1,340,000	18,927	1,268,148	52,925
	Total	\$ 4,299,397	\$ 37,855	\$ 3,863,496	\$ 398,046

The total amount of SHAIP funding spent on the approved Eligible Project Costs in 2019 is \$3,863,496 (2018 - \$37,855).

ELCC Project

<i>Property</i>	<i>Project Description</i>	<i>ELCC Grant Approved</i>	<i>ELCC Eligible Expenses Incurred Prior to January 1, 2019</i>	<i>2019 ELCC Eligible Expenses Incurred January 1, 2019 to December 31, 2019</i>	<i>Excess of Approved ELCC Grant Over Expenses</i>
Bella Vista	Creating new child care spaces in PHC Bella Vista building	\$ 500,000	-	\$ 3,016	\$ 496,984
	Total	\$ 500,000	-	\$ 3,016	\$ 496,984

The total amount of ELCC funding spent on approved Eligible Project Costs in 2019 is \$3,016 (2018 - \$Nil).

(Unaudited)

18. Risks

a) Credit Risk

The Corporation is subject to credit risks from its tenants as a result of counterparty default. This risk is mitigated by prudent monitoring procedures.

b) Interest Rate Risk

The Corporation is subject to interest rate fluctuations on its mortgages and long term debt. The Corporation currently does not use any hedging strategies to mitigate this interest rate exposure.

c) Market Risk

Market risk arises as a result of trading in fixed income securities and equities. Fluctuations in the market expose the Corporation to a risk of loss. The Corporation mitigates this risk through cash management processes and compliance to the approved investment policy.

19. Commitments

The Corporation has obligations under non-cancellable operating leases with the Region of Peel for various service agreements.

The expected payments to the expiry of leases and agreements are as follows:

	Payments
2020	\$ 2,055,469
2021	2,055,469
2022	2,055,469
2023	2,055,469
2024	2,055,469
Subsequent to 2024	47,249,382
Total	\$ 57,526,727

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

20. Budget Reconciliation

The budget amounts presented in the financial statements are based on the 2019 operating and capital budgets approved by the Board on March 11, 2019. The following reconciles the approved budget to the budget amounts presented in the financial statements using the accrual basis of accounting, in accordance with PSAS.

	Revenues	Expenses
Board Approved Operating Budget	99,830,894	99,830,894
Board Approved Capital Budget	45,050,445	45,050,445
PSAB Adjustments		
Contributions to reserves/reserve funds	-	(14,137,784)
Contributions from reserves/reserve funds	(20,890,269)	-
Amortization	-	(7,765,358)
Loan principal repayments	-	(1,752,386)
Acquisition of tangible capital assets	-	-
Capital projects funded by loans	(24,307,241)	-
Other Adjustments		
Investment income	721,090	-
Contributed Capital	23,750	-
Budget as presented in Financial Statements	\$ 100,428,669	\$ 121,225,811