

**ONTARIO MORTGAGE AND HOUSING CORPORATION**

**Financial Statement**

**For the Year Ended March 31, 2020**

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**Ontario Mortgage and  
Housing Corporation**

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**Société ontarienne  
d'hypothèques et de logement**

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

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the statements have been properly prepared within the reasonable limits of materiality and in light of information available up to June 24, 2020.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and that reliable financial information is available on a timely basis.

The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management,  
Sincerely,

A handwritten signature in black ink, appearing to read "Jim Adams". The signature is written over a horizontal line that extends to the right across the page.

Jim Adams  
Chief Executive Officer



## INDEPENDENT AUDITOR'S REPORT

To the Ontario Mortgage and Housing Corporation  
and to the Minister of Municipal Affairs and Housing

### Opinion

I have audited the financial statements of the Ontario Mortgage and Housing Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, net debt and accumulated deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 the Corporation either intends 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**

My 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 my 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Toronto, Ontario  
June 24, 2020



Susan Klein, CPA, CA, LPA  
Assistant Auditor General

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Statement of Financial Position

As at March 31, 2020

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	March 31, 2020 (\$ 000)	March 31, 2019 (\$ 000)
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	7,106	6,044
Long-term debt (Note 7)	108,200	161,415
Long-Term Environmental Remediation (Note 3)	38,419	40,399
	<u>153,725</u>	<u>207,858</u>
<b>Financial Assets</b>		
Cash (Note 4)	4,824	1,896
Accrued interest from Universities and Colleges	-	21
Due from Province of Ontario	4,204	5,957
Investments in student housing properties (Note 5)	-	1,025
	<u>9,028</u>	<u>8,899</u>
<b>Net Debt and Accumulated Deficit</b>	<u>(144,697)</u>	<u>(198,959)</u>

### Contingent Liabilities (Note 8)

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

On behalf of the Board:



Joanne Davies, Chair

  
Jim Adams, Chief Executive Officer

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Statement of Operations

For the year ended March 31, 2020

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	Budget (\$ 000)	2020 (\$ 000)	2019 (\$ 000)
<b>Revenue</b>			
Subsidies from Province of Ontario:			
Debt service obligations	60,200	60,360	66,404
Environmental Remediation (Note 3)	6,200	1,980	3,284
Affordable Home Ownership Program (AHP) Mortgages	-	46	88
Interest received from Student Housing	-	43	103
Miscellaneous	-	57	95
Total revenues	<u>66,400</u>	<u>62,486</u>	<u>69,974</u>
<b>Expenses</b>			
Debentures Interest:			
Devolved properties	8,000	8,170	11,721
Student housing	-	43	103
Miscellaneous	-	11	1
Total expenses	<u>8,000</u>	<u>8,224</u>	<u>11,825</u>
<b>Excess of Revenues over Expenses (Note 9)</b>	<u>58,400</u>	<u>54,262</u>	<u>58,149</u>

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

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Statement of Net Debt and Accumulated Deficit

For the year ended March 31, 2020

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	Budget (\$ 000)	2020 (\$ 000)	2019 (\$ 000)
Net Debt and Accumulated Deficit, beginning of year	(198,959)	(198,959)	(257,108)
Excess of Revenues over Expenses	58,400	54,262	58,149
Net Debt and Accumulated Deficit, end of year	(140,559)	(144,697)	(198,959)

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

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Statement of Cash Flows

For the year ended March 31, 2020

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	2020 (\$ 000)	2019 (\$ 000)
<b>Operating transactions</b>		
Excess of Revenue over Expenses	54,262	58,149
Changes in non-cash working capital:		
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	1,062	(226)
Decrease in Long-Term Environmental Remediation	(1,980)	(3,284)
Decrease in Accrued Interest from Universities and Colleges	21	23
Decrease in Due from the Province of Ontario	1,753	203
Cash provided by operating transactions	<u>55,118</u>	<u>54,865</u>
<b>Financing Transactions</b>		
Long-Term Debt Repayment		
– Province of Ontario	(5,536)	(5,847)
– Canada Mortgage and Housing Corporation	(47,679)	(50,251)
Cash applied to financing transactions	<u>(53,215)</u>	<u>(56,098)</u>
<b>Investing Transactions</b>		
Collection of Ontario Student Housing Long-Term Debt	<u>1,025</u>	<u>1,415</u>
<b>Increase in Cash</b>	2,928	182
<b>Cash Balance at Beginning of Year</b>	1,896	1,714
<b>Cash Balance at End of Year</b>	<u>4,824</u>	<u>1,896</u>

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



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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2020

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### 1. Nature of Operations

The Ontario Mortgage and Housing Corporation (the Corporation), formerly the Ontario Housing Corporation, was established without share capital in 2006 under the Ontario Mortgage and Housing Corporation Act (OMHCA), as a provincial government agency. The Corporation's responsibilities include maintaining debt retirement obligations, debt service administration and satisfying obligations related to former public housing. The Corporation also carries out any other duties assigned by the Minister of Municipal Affairs and Housing in respect of matters under the OMHCA.

In addition, the Corporation has the authority to manage, administer and deliver the Affordable Home Ownership Program, set out in the Canada-Ontario Affordable Housing Program Agreement, and to manage, administer and deliver other prescribed programs.

Under the *Social Housing Reform Act 2000*, the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations (LHCs) which are controlled by Municipal Service Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, and contingent liabilities. The Ontario Ministry of Municipal Affairs and Housing (the Ministry) provides the Corporation with subsidies to cover its debt service payments and other expenses.

The Corporation is also responsible for managing the loans and mortgages that were owned by Ontario Mortgage Corporation prior to its dissolution and that were transferred to the Corporation on April 1, 2015.

As an agent of Her Majesty in right of Ontario, the Corporation is exempted from federal and provincial income taxes under the Income Tax Act and the Taxation Act.

### 2. Significant Accounting Policies

Significant accounting policies followed by the Corporation are summarized below:

#### (A) BASIS OF ACCOUNTING

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

#### (B) REVENUES

The Province of Ontario (the Province) provides a debt service obligation subsidy and an environmental remediation subsidy. The debt service obligation subsidy is recorded as revenue when receivable from the Province, which occurs when principal payments are made on long term debt and interest costs on long term debt are incurred. The environmental remediation subsidy is recorded as revenue when receivable from the Province, which occurs when environmental remediation costs are incurred.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2020

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## 2. Significant Accounting Policies (Continued)

### (C) EXPENSES

Expenses are reported on an accrual basis as incurred. These expenses include debt servicing cost such as interest expenses.

### (D) FINANCIAL INSTRUMENTS

The Corporation's financial assets and liabilities are accounted for as follows:

- Cash is subject to insignificant risk of change in value so the carrying value approximates fair value.
- Accrued Interest from Universities and Colleges, due from the Province, Investments in Student Housing Properties (note 5) and Interest Receivable are measured at amortized cost.
- Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 7), is measured at amortized cost.
- Accounts Payable and Accrued Liabilities (note 6) are measured at cost.

### (E) ACCUMULATED DEFICIT

The Accumulated Deficit that resulted from the transfer of properties to LHCs for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principal payments on the Corporation's long-term debt. The Accumulated Deficit is also reduced by the revenues provided by the Province to settle the Corporation's Long-Term Environmental Remediation liability.

### (F) USE OF ESTIMATES

Preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates. Significant estimates include Long-Term Environmental Remediation Liability and Contingent Liabilities for Contaminated Sites.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2020

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### 3. Long-Term Environmental Remediation

The balance in the liability for contaminated sites as at March 31, 2020 is \$38.4 million.

The liability is management's best estimate based on environmental investigations performed by independent experts and reflects the costs required to remediate the sites. Remediation is expected to occur within the next six years.

There are two contaminated sites remediation projects as at March 31, 2020 - the multi-year Regent Park redevelopment project and the Alexandra Park redevelopment.

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). The site has soil contamination as a result of historical industrial uses. Based on the redevelopment plan prepared by TCHC, phase 3 remediation work is expected to be completed by 2022, after which phases 4 and 5 will start. Current cost estimates are \$4.8 million for phase 3 and \$29.9 million for phases 4 and 5.

In June 2013, TCHC advised that an Environmental Site Assessment (ESA) identified soil and groundwater contamination on the Alexandra Park site. In March 2014, TCHC requested that the Corporation provide financial assistance for soil remediation work. Cost estimates to remediate the contamination total \$3.7 million.

The Long-Term Environmental Remediation liability balance is comprised of the following:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Balance, beginning of year	40,399	43,683
Decrease: Subsidy from Province for Remediation	(1,980)	(3,284)
Balance, end of year	<u>38,419</u>	<u>40,399</u>

Cumulative costs for site remediation to March 31, 2020 are \$40.4 million (2019 – \$38.4 million).

### 4. Cash

The cash balance is made up of the following:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Cash	3,518	636
Internally Restricted Cash	1,306	1,260
Total Cash Balance	<u>4,824</u>	<u>1,896</u>

The internally restricted cash includes monies received from the Affordable Housing Program (AHP), which are to be used under the OMHCA for housing purposes only.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2020

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### 5. Investments in Student Housing Properties

The Corporation's investments in student housing properties represent funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, any related encumbrances in favour of the Corporation on the properties are discharged.

As of March 31, 2020, student housing projects debt has been fully repaid.

	March 31, 2020 (\$ 000)	March 31, 2019 (\$ 000)
Original Cost	35,115	35,115
Less: Accumulated Capital Repayments	35,115	34,090
	<u>-</u>	<u>1,025</u>

### 6. Accounts Payable and Accrued Liabilities

Most of the Accounts Payable and Accrued Liabilities balance is comprised of accrued interest payable on the Corporation's Long-Term Debt and amounts owing for environmental remediation costs incurred prior to year end.

### 7. Long Term Debt

Long term debt is comprised of the following:

	March 31, 2020 (\$ 000)	March 31, 2019 (\$ 000)
Canada Mortgage and Housing Corporation	96,938	144,617
Loans Repayable to the Province	11,262	16,798
	<u>108,200</u>	<u>161,415</u>

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation (CMHC) and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province are Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the average rates are 4.95% and 6.21% respectively (2019 – 5.31% and 6.49% respectively). Interest expense for year ended March 31, 2020 totaled \$8.2 million; (2019 – \$11.8 million), \$1.0 million (2019 – \$1.5 million) of which was paid to the Province.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2020

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### 7. Long Term Debt (continued)

The interest expense is included in Debentures Interest in the Statement of Operations and Accumulated Deficit and is offset by the subsidy from the Ministry.

Scheduled payments over the next five years and thereafter are as follows:

	Gross Payments (\$ 000)	Principal Payments (\$ 000)
2021	31,302	26,703
2022	22,219	19,279
2023	15,064	13,321
2024	9,268	8,351
2025	4,352	3,954
Thereafter	2,630	2,460

### 8. Contingent Liabilities

#### (A) GUARANTEED DEBT

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of the loan defaults.

The Corporation would request that the Ministry reimburse any costs incurred by the Corporation. As of March 31, 2020, there were \$3.2 billion (2019 – \$3.7 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

#### (B) CONTAMINATED SITES

The Corporation retains potential liability for cleaning up environmental contaminants of former public housing properties under the *Environmental Protection Act*, as noted in the former *Social Housing Reform Act, 2000* and maintained in the *Housing Services Act, 2011*. The Ministry reimburses the Corporation for costs incurred.

The Ministry completed its review in 2014-15 of the more than 1,500 former OMHC sites in order to better refine potential liabilities for environmental contamination. The potential liability is for soil and groundwater contaminants as defined under the *Environmental Protection Act*. Estimates were developed using a risk-based approach that analyzed current and historical land uses, local redevelopment potential, construction date and building type to assess potential environmental risk. A total of 50 sites were identified as having a high degree of risk for potential contamination. These 50 sites represent a potential contingent liability of approximately \$295 million. The need for remediation would be confirmed if and when a Municipal Service Manager has identified a site for redevelopment.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2020

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### 9. Excess of Revenues over Expenses

The Corporation derives most of its revenues from two subsidies from the Province: the debt service obligation subsidy and the environmental remediation subsidy. The debt service obligation subsidy covers the interest on long-term debt included in the Corporation's expenses, and the remaining portion represents the excess of revenues over expenses that is applied to the principal payments on the long-term debt.

Similarly, the environmental remediation subsidy offsets the site remediation costs that are accounted for in the Long-Term Environmental Remediation obligation as described in note 3.

### 10. Related Party Transactions

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

#### (A) LOANS TO ONTARIO COLLEGES

As of March 31, 2020, there was no outstanding balance due from colleges with respect to loans for Student Housing Properties (note 5) (2019 - \$369,000). Total interest and principal payments received from colleges was \$391,413 (2019 - \$108,000).

#### (B) ADMINISTRATIVE EXPENSES

The Ministry provides administrative, financial, and program services to the Corporation at no charge. The cost for these services amounted to \$150,000 (2019 - \$150,000). All Board members are senior civil servants and support services are provided by staff of the Ministry in the normal course of their duties.

### 11. Contractual Obligations

In December 2019, the OMHC entered into an agreement with the District of Sault Ste Marie Social Services Administration Board to provide \$600,000 in funding for an affordable housing ownership program. As of March 31, 2020, funding has not been provided as not all requirements contained in the agreement were met.

### 12. Risk Management

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province. The Corporation is also not exposed to significant liquidity risk or interest rate risk. These risks are borne by the Province.

### 13. Restructuring

The Province of Ontario announced in April 2019 that the activities and obligations of the Corporation would be transferred to the Ministry of Municipal Affairs and Housing. The transition process is expected to occur over the next year.