

# **ONTARIO MORTGAGE AND HOUSING CORPORATION**

**Financial Statements**

**For the Year Ended March 31, 2021**

## 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 17, 2021.

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

The system included formal policies and procedures and an organizational structure that provided for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls.

With the proclamation of the Ontario Mortgage and Housing Corporation Repeal Act, 2020, the Ontario Mortgage and Housing Corporation along with its Board of Directors was dissolved on March 31, 2021, and the Corporation's assets, liabilities, rights, obligations and program responsibilities were transferred to the Province of Ontario (Province).

In the absence of a Board of Directors, the Chief Administrative Officer/Assistant Deputy Minister and the Director, Housing Programs Branch of the Ministry of Municipal Affairs and Housing serve as those charged with oversight. Those charged with oversight review and approve 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 those charged with governance,  
Sincerely,



Jim Adams  
Director, Housing Programs Branch  
Ministry of Municipal Affairs and Housing



## INDEPENDENT AUDITOR'S REPORT

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, 2021, 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, 2021, 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.

### Emphasis of Matter – Future of the Corporation

I draw attention to Note 3 of the financial statements, which indicates that on March 31, 2021, the operations of the Corporation were transferred to the Province of Ontario. My opinion is not modified in respect of this matter.

### 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. Effective March 31, 2021, the Corporation's operational responsibilities were transferred to the Province of Ontario.
- 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 17, 2021



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, 2021

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	March 31, 2021 (\$ 000) (Note 3)	March 31, 2020 (\$ 000)
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	-	7,106
Long-term debt (Note 7)	-	108,200
Long-Term Environmental Remediation (Note 4)	-	38,419
	-	<u>153,725</u>
<b>Financial Assets</b>		
Cash (Note 5)	-	4,824
Due from Province of Ontario	-	4,204
	-	<u>9,028</u>
<b>Net Debt and Accumulated Deficit</b>	-	<u>(144,697)</u>

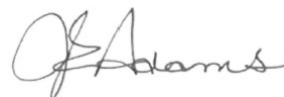
### Contingent Liabilities (Note 8)

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



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Joanne Davies  
Chief Administrative Officer/Assistant Deputy Minister  
Ministry of Municipal Affairs and Housing



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Jim Adams  
Director, Housing Programs Branch  
Ministry of Municipal Affairs and Housing

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Statement of Operations

For the year ended March 31, 2021

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	Budget (\$ 000)	2021 (\$ 000)	2020 (\$ 000)
<b>Revenue</b>			
Subsidies from Province of Ontario:			
Debt service obligations	39,900	38,759	60,360
Environmental Remediation (Note 4)	-	-	1,980
Affordable Home Ownership Program (AHP) Mortgages	-	40	46
Interest received from Student Housing	-	-	43
Miscellaneous	-	50	57
Total revenues	<u>39,900</u>	<u>38,849</u>	<u>62,486</u>
<b>Expenses</b>			
Debentures Interest:			
Devolved properties	5,800	5,776	8,170
Student housing	-	-	43
Transfer payments (Note 11)	-	1,974	-
Miscellaneous	2,000	2	11
Total expenses	<u>7,800</u>	<u>7,752</u>	<u>8,224</u>
<b>Excess of Revenues over Expenses from Operations (Note 9)</b>	32,100	31,097	54,262
Net Liabilities Transferred to the Province (Note 3)	<u>104,700</u>	<u>113,600</u>	-
<b>Excess of Revenues over Expenses</b>	<u>136,800</u>	<u>144,697</u>	<u>54,262</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, 2021

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	Budget (\$ 000)	2021 (\$ 000)	2020 (\$ 000)
Net Debt and Accumulated Deficit, beginning of year	(144,697)	(144,697)	(198,959)
Excess of Revenues over Expenses	136,800	144,697	54,262
Net Debt and Accumulated Deficit, end of year	<u>(7,897)</u>	<u>-</u>	<u>(144,697)</u>

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, 2021

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	2021 (\$ 000)	2020 (\$ 000)
<b>Operating transactions</b>		
Excess of Revenue over Expenses	144,697	54,262
Changes in non-cash working capital:		
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(5,956)	1,062
Decrease in Long-Term Environmental Remediation	-	(1,980)
Decrease in Accrued Interest from Universities and Colleges	-	21
Decrease in Due from the Province of Ontario	4,204	1,753
Non-cash balances transferred to the Province (Note 3)	(113,636)	-
Cash provided by operating transactions	<u>29,309</u>	<u>55,118</u>
<b>Financing Transactions</b>		
Long-Term Debt Repayment		
– Province of Ontario	(3,580)	(5,536)
– Canada Mortgage and Housing Corporation	(30,553)	(47,679)
Cash applied to financing transactions	<u>(34,133)</u>	<u>(53,215)</u>
<b>Investing Transactions</b>		
Collection of Ontario Student Housing Long-Term Debt	<u>-</u>	<u>1,025</u>
<b>(Decrease) increase in Cash</b>	(4,824)	2,928
<b>Cash Balance at Beginning of Year</b>	4,824	1,896
<b>Cash Balance at End of Year</b>	<u>-</u>	<u>4,824</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, 2021

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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 included maintaining debt retirement obligations, debt service administration and satisfying obligations related to former public housing. The Corporation also carried out any other duties assigned by the Minister of Municipal Affairs and Housing in respect of matters under the OMHCA.

In addition, the Corporation had 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) provided the Corporation with subsidies to cover its debt service payments and other expenses.

The Corporation was also responsible for managing the loans and mortgages that were owned by the 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 was exempted from federal and provincial income taxes under the *Income Tax Act* and the *Taxation Act*.

On March 31, 2021, the *Ontario Mortgage and Housing Corporation Repeal Act, 2020* was proclaimed and the Corporation was dissolved on this date. In accordance with the Act, the Corporation's assets, liabilities, rights, obligations and program responsibilities were transferred to the Province of Ontario (Province) on March 31, 2021.

### 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.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2021

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### 2. Significant Accounting Policies (Continued)

#### (B) REVENUES

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.

#### (C) EXPENSES

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

Transfer payments are made under shared cost agreements and are recorded as expenses when the transfer is authorized, and eligibility criteria have been met by the recipient.

#### (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.
- Due from the Province is 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 was 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 was also reduced by the revenues provided by the Province to settle the Corporation's Long-Term Environmental Remediation liability.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2021

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### 2. Significant Accounting Policies (Continued)

#### (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.

### 3. Transfer to the Province

On March 31, 2021, the *Ontario Mortgage and Housing Corporation Repeal Act, 2020* was proclaimed and the Corporation was dissolved on this date. The Corporation's assets, liabilities, rights and obligations were transferred to the Province on March 31, 2021.

Below are the details of the assets and liabilities transferred to the Province based on their carrying values at March 31, 2021:

	<b>2021</b> <b>(\$ 000)</b>
<b>Liabilities Transferred:</b>	
Accounts payable and accrued liabilities (Note 6)	1,150
Long-term debt (Note 7)	74,067
Long-Term Environmental Remediation	38,419
<b>Total Liabilities Transferred</b>	<b>113,636</b>
<b>Assets Transferred:</b>	
Cash	36
<b>Total Assets Transferred</b>	<b>36</b>
<b>Net Liabilities Transferred</b>	<b>113,600</b>

### 4. Long-Term Environmental Remediation

As described in Note 3, the Corporation's Long-Term Environmental Remediation liability was transferred to the Province on March 31, 2021.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2021

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There were two contaminated sites remediation projects as at March 31, 2021: the multi-year Regent Park redevelopment project and the Alexandra Park redevelopment. The liability is management's best estimate based on environmental investigations performed by independent experts and reflects the costs required to remediate the sites.

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. Current cost estimates, based on site testing reports, to complete phase 3 is \$4.8 million and, for phases 4 and 5 is \$29.9 million.

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.

Cumulative costs for site remediation to March 31, 2021 are \$40.4 million (2020 – \$40.4 million).

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

	<b>2021</b>	<b>2020</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Balance, beginning of year	38,419	40,399
Decrease: Subsidy from the Province for Remediation	-	(1,980)
Amounts transferred to the Province (Note 3)	(38,419)	-
<b>Balance, end of year</b>	<u>-</u>	<u>38,419</u>

## 5. Cash

The cash balance is made up of the following:

	<b>March 31, 2021</b>	<b>March 31, 2020</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Cash	36	3,518
Internally Restricted Cash	-	1,306
Amounts transferred to the Province (Note 3)	36	-
<b>Total Cash Balance</b>	<u>-</u>	<u>4,824</u>

The internally restricted cash included monies received from the Affordable Housing Program (AHP) which were used to fund housing initiatives.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2021

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### 6. Accounts Payable and Accrued Liabilities

The Accounts Payable and Accrued Liabilities balance was comprised of accrued interest payable on the Corporation's Long-Term Debt incurred prior to year end. Accrued interest repayable to Canada Mortgage and Housing Corporation of \$1.03 million and to the Province of \$0.12 million were transferred to the Province on March 31, 2021 (Note 3).

### 7. Long Term Debt

As described in Note 3, the Corporation's Long-Term Debt liability was transferred to the Province on March 31, 2021.

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 5.26% and 6.01% respectively (2020 – 4.95% and 6.21% respectively). Interest expense for year ended March 31, 2021 totaled \$5.8 million; (2020 – \$8.2 million), \$0.5 million (2020 – \$1.0 million) of which was paid to the Ministry.

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.

Long term debt is comprised of the following:

	<b>March 31, 2021</b>	<b>March 31, 2020</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Canada Mortgage and Housing Corporation	66,385	96,938
Loans Repayable to the Province	7,682	11,262
Amounts transferred to the Province (Note 3)	(74,067)	-
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	-	108,200

Upon dissolution of the Corporation on March 31, 2021, repayments of the debt to CHMC, principal and interest, will be made by the Ministry.

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2021

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

	Gross Payments (\$ 000)	Principal Payments (\$ 000)
2022	19,902	17,278
2023	13,491	11,935
2024	8,299	7,482
2025	3,899	3,543
2026	2,085	1,949
Thereafter	271	255

## 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 was liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of the loan defaults.

Prior to the date of transfer, there were \$2.8 billion (2020 – \$3.2 billion) of mortgage loans outstanding on provincially funded projects. As at March 31, 2021, there have been no claims for defaults on the insured mortgage loans. Upon dissolution of the Corporation on March 31, 2021, the Province is responsible for any loan defaults.

### (B) CONTAMINATED SITES

The Corporation had 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 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

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# ONTARIO MORTGAGE AND HOUSING CORPORATION

## Notes to the Financial Statements

For the year ended March 31, 2021

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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. Upon dissolution of the Corporation on March 31, 2021, the Province is responsible for any liabilities for environmental contamination as they arise.

### 9. Excess of Revenues over Expenses from Operations

The Corporation derived 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 covered the interest on long-term debt included in the Corporation's expenses, and the remaining portion represented the excess of revenues over expenses that was applied to the principal payments on the long-term debt.

Similarly, the environmental remediation subsidy offset the site remediation costs that were accounted for in the Long-Term Environmental Remediation obligation as described in Note 4.

### 10. Related Party Transactions

The Corporation was controlled by the Province and was therefore a related party to other organizations that are controlled by or subject to significant influence by the Province.

The Ministry provided administrative, financial, and program services to the Corporation at no charge. The cost for these services amounted to \$150,000 (2020 - \$150,000). All Board members were senior civil servants and support services were provided by staff of the Ministry in the normal course of their duties.

### 11. Transfer Payments

In fiscal 2020-21, the Corporation provided funding, under transfer payment agreements, of \$1,974,000 for housing initiatives. Upon dissolution of the Corporation on March 31, 2021, the Province is responsible for monitoring reporting requirements related to these agreements.

### 12. Risk Management

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