



## Report of the General Manager and Chief Financial Officer

### **2018 Housing York Inc. Financial Statements and Annual Information Return**

#### **Recommendations**

1. The Board approve the draft 2018 Financial Statements and Notes for Housing York Inc. and submit them to York Region, as the Service Manager and sole Shareholder of the Corporation (Attachment 1).
2. The Board approve the 2018 Annual Information Return for the Housing York Inc. Provincial Reform Program and submit it to York Region, as the Service Manager (Attachment 2).

#### **Summary**

This report seeks approval of the draft 2018 Financial Statements and Notes for Housing York Inc. (HYI), along with the 2018 Annual Information Return, a housing program report mandated under the *Housing Services Act, 2011*.

HYI has engaged KPMG to perform the audit of the Financial Statements and to review the Annual Information Return. KPMG is prepared to issue an unqualified opinion of the 2018 Financial Statements.

#### **Background**

##### **HYI's Financial Statements comply with Regional and legislative requirements**

HYI prepares annual audited financial statements that are consolidated with the Region's Financial Statements. HYI's audit is performed concurrently with the Region's audit, by the same external auditors, ensuring that related-party transactions, such as subsidy transfers and payroll costs, are fully examined at the corporate and shareholder level.

In addition to the financial statements, the auditors review the Annual Information Return which is required under the *Housing Services Act, 2011*. The Annual Information Return is a summary of the financial, operating, and statistical information of HYI's Provincial Reform portfolio. The Region, as Service Manager, uses this information to verify subsidy entitlement, assess compliance with the *Housing Services Act, 2011*, and for forecasting and budgeting purposes.

Board approval is required prior to submission to the Region.

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## Analysis

### The auditor's opinion on the 2018 Financial Statements is free of any qualifications or conditions

HYI's Financial Statements were prepared in accordance with the financial reporting provisions in the *Housing Services Act, 2011*. KPMG conducted the annual audit in accordance with generally accepted auditing standards. The Auditor's Report reflects KPMG's opinion that the Financial Statements present fairly, in all material respects, the financial position of HYI as at December 31, 2018.

### HYI continues to be in a strong financial position in 2018

Table 1 summarizes HYI's balance sheet as of December 31, 2018 with comparative figures for 2017.

**Table 1**  
**Consolidated Balance Sheet**  
**As at December 31, 2018**

	2017 (\$000)	2018 (\$000)	Variance (\$000)	(%)
<b>Assets</b>				
Current assets	4,135	5,020	885	21%
Restricted cash and investments	15,786	20,061	4,275	27%
Property holdings	192,468	186,523	(5,945)	(3%)
<b>Total Assets</b>	<b>212,389</b>	<b>211,604</b>	<b>(785)</b>	<b>0%</b>
<b>Liabilities</b>				
Current liabilities	11,276	12,430	1,154	10%
Building finance	57,041	51,482	(5,559)	(10%)
<b>Total Liabilities</b>	<b>68,317</b>	<b>63,912</b>	<b>(4,405)</b>	<b>(6%)</b>
<b>Equity</b>				
Reserve funds	14,144	17,764	3,620	26%
Shareholder contribution	129,928	129,928	0	0%
<b>Total Equity</b>	<b>144,072</b>	<b>147,692</b>	<b>3,620</b>	<b>3%</b>

Note: totals may not add due to rounding

In 2018, total assets were \$211.6 million, a decrease of \$0.8 million (21 per cent) compared to 2017, resulting from:

- A decrease in property holdings due to annual mortgage payments and the discharge of the Porter Place mortgage. Porter Place is at the end of its life cycle and removing the mortgage allows the Region to move forward with redevelopment plans
- An increase in restricted cash and investments due to higher reserve balances

In 2018, total liabilities were \$63.9 million, a decrease of \$4.4 million (-6 per cent) compared to 2017, resulting from a \$5.6 million decrease in building financing due to a reduction in mortgages payable.

In 2018, total equity was \$147.7 million, an increase of \$3.6 million (3 per cent) compared to 2017, resulting from an increase in reserve funds.

### **HYI generated an operating surplus of \$2.6 million in 2018**

Table 2 summarizes HYI's Statement of Revenue and Expenditures as of December 31, 2018 with comparative figures for 2017.

**Table 2**  
**Consolidated Statement of Revenue and Expenditures**  
**As at December 31, 2018**

	2017 (\$000)	2018 (\$000)	Increase/ (Decrease) (\$000)	Increase/ (Decrease) (%)
<b>Revenue</b>				
Rental and other income	21,598	21,869	271	1%
Government subsidies	15,605	18,078	2,473	16%
<b>Total Revenue</b>	<b>37,203</b>	<b>39,947</b>	<b>2,744</b>	<b>7%</b>
<b>Expenses</b>				
Mortgage	8,956	9,397	441	5%
Administration and maintenance	12,109	12,920	811	7%
Property taxes	3,132	2,724	(408)	(13%)
Utilities	3,647	3,513	(134)	(4%)
Public Housing capital	1,581	0	(1,581)	(100%)
Contribution to reserves	6,721	8,814	2,093	31%
<b>Total Expenses</b>	<b>36,146</b>	<b>37,368</b>	<b>1,222</b>	<b>3%</b>
<b>Surplus</b>	<b>1,057</b>	<b>2,579</b>	<b>1,522</b>	<b>144%</b>

Note: totals may not add due to rounding

Total revenues were \$39.9 million in 2018, an increase of \$2.7 million (7 per cent) over 2017. The increase in revenues was mainly driven by an increase in Regional subsidies for operating and capital needs for emergency housing (\$1.3 million) and the Porter Place mortgage discharge (\$0.5 million).

Total expenses were \$37.4 million in 2018, an increase of \$1.2 million (3 per cent) over 2017, resulting from:

- Higher administration and maintenance costs due to higher operating contracts and additional investments in the property improvements
- Lower property taxes due to the final settlement of the Richmond Hill Hub for 2016 to 2018 resulting in a one-time adjustment of \$0.4 million
- An increase in contributions to the capital reserve of \$1.4 million. In 2018, a reserve for Public Housing capital expenditures was established as part of HYI's long-term fiscal plan. Previously, capital expenditures were covered through the operating budget
- A one-time additional contribution of \$0.8 million to the Emergency Housing Reserve

### **HYI invested \$7.7 million in capital repairs and upgrades in 2018**

Funding for capital repairs and upgrades are approved every year through HYI's budget process. The total approved capital budget increased from \$6.5 million in 2017 to \$8.4 million in 2018. Over 90 per cent of the capital budget was spent in 2018, with the underspent funds remaining in HYI's reserves. The budget was not fully spent because of timing of construction as well as some project costs coming in below estimates.

In 2018, HYI had over 70 active capital projects to increase the safety, accessibility, and lifespan of our buildings. Projects included window and exterior door upgrades, parking lot renovations, kitchen and bathroom renovations, elevator modernization and roof replacements.

Table 3 provides a list of the major capital projects completed in 2018.

**Table 3**  
**Capital Repair and Replacement Projects Completed in 2018 over \$250,000**

Property	Description	Total Project Cost
Brayfield Manors (Town of Newmarket)	Kitchen upgrades	\$757,350
Keswick Gardens (Town of Georgina)	Kitchen Upgrades	\$985,760
Keswick Gardens & Northview Court (Town of Georgina)	Elevator modernization	\$390,894
Maplewood Place (Town of Richmond Hill)	Window and door replacement	\$368,998
Thornhill Green (City of Markham)	Roof replacement	\$402,427
Trinity Square (City of Markham)	Window and door replacement	\$600,321

In addition to the \$7.7 million HYI invested in capital, HYI also received federal funding through York Region to address capital needs and improve energy efficiency. HYI received \$737,848 in federal funding for the following three capital projects that began in 2018 and were completed in early 2019:

- Elevator Replacement - Fairy Lake (Town of Newmarket)
- Lower Roof Replacement - Pineview Terrace (Town of Georgina)
- Elevator Replacement - Oxford Village (Town of East Gwillimbury)

## Financial Considerations

### HYI ended the year with a \$2.6 million operating surplus

The 2018 operating surplus was \$2.6 million compared to the budgeted surplus of \$1.1 million. The major contributors to the positive variance in operating surplus were labour and property tax savings. Salaries and benefits were \$750,000 below budget due to a combination of staff turnover, retirements, and hiring delays. Property tax savings of \$843,000 were realized as a result of the final settlement for the Richmond Hill Hub as well as a decrease in multi-residential tax rates.

### HYI allocated the \$2.6 million operating surplus to specific reserves

In accordance with the Board approved operating surplus policy, HYI allocated \$2.6 million from the operating surplus to reserves. Table 4 shows how the surplus funds were allocated.

**Table 4**  
**Summary of Operating Surplus Allocation**

	(\$000)
Capital Repair and Replacement Reserve	1,288
Insurance Reserve	138
Strategic Initiatives Reserve	1,150
Emergency Housing Reserve	3
	2,579

## Local Impact

The Financial Statements and the Annual Information Return have no impact on local municipalities.

## Conclusion

The 2018 Financial Statements reflect the financial results and position of HYI, and are presented in accordance with the provisions in the *Housing Services Act, 2011*.

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For more information on this report, please contact Michelle Willson, Chief Financial Officer, at 1-877-464-9675 ext. 76064. Accessible formats or communication supports are available upon request.

Recommended by: Michelle Willson  
Chief Financial Officer

Rick Farrell  
General Manager, Housing York Inc.

Approved for Submission: Katherine Chislett  
President, Housing York Inc.

May 28, 2019  
Attachments (2)  
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