Financial Statements of

TORONTO SENIORS HOUSING CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2022

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Toronto Seniors Housing Corporation

Opinion

We have audited the financial statements of Toronto Seniors Housing Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations and its cash flows for the 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. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 27, 2023

TORONTO SENIORS HOUSING CORPORATION

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 5,978,630	$ 479,362
Accounts receivable	127,539	37,158
Due from TCHC (note 2)	1,210,814	–
Prepaid expenses	621,877	–
	7,938,860	516,520
Due from TCHC (note 2)	4,180,700	–
	$ 12,119,560	$ 516,520
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 3,157,304	$ 172,640
Due to TCHC (note 2)	1,670,360	–
Due to the City of Toronto (note 2)	92,467	–
Deferred grant revenue (note 4)	3,118,831	342,834
	8,038,962	515,474
Employee benefits (note 5)	3,917,100	–
Net assets:		
Unrestricted	163,498	1,046
	$ 12,119,560	$ 516,520

See accompanying notes to financial statements.

TORONTO SENIORS HOUSING CORPORATION

Statement of Operations

Year ended December 31, 2022, with comparative information
for the period from June 23, 2021 (date of formation) to December 31, 2021

	2022	2021
Revenue:		
City of Toronto grant (note 4)	$ 4,859,003	$ 642,166
Revenue from TCHC (note 2)	20,214,275	–
Interest	162,452	1,046
	25,235,730	643,212
Expenses:		
Salaries and benefits (note 2)	16,036,046	298,491
Services	2,523,806	317,538
Supplies and other operating (note 2)	6,513,426	26,137
	25,073,278	642,166
Excess of revenue over expenses	$ 162,452	$ 1,046

See accompanying notes to financial statements.

TORONTO SENIORS HOUSING CORPORATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information
for the period from June 23, 2021 (date of formation) to December 31, 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 162,452	$ 1,046
Change in non-cash operating working items:		
Accounts receivable	(90,380)	(37,158)
Due from TCHC (note 2)	(5,391,514)	–
Due to TCHC	1,670,360	–
Due to the City of Toronto	92,467	–
Prepaid expenses	(621,877)	–
Accounts payable and accrued liabilities	2,984,664	172,640
Deferred grant revenue	2,775,996	342,834
Employee benefits (note 5)	3,917,100	–
Increase in cash	5,499,268	479,362
Cash, beginning of period	479,362	–
Cash, end of period	$ 5,978,630	$ 479,362

See accompanying notes to financial statements.

Toronto Seniors Housing Corporation ("TSHC") was incorporated under the provisions of the Ontario Business Corporations Act on June 23, 2021 with the City of Toronto (the "City") as its sole shareholder. In establishing TSHC, the City approved a Shareholder Direction that set guiding principles, high-level objectives and expected accountability to the City. The Shareholder Direction establishes TSHC as operating at arm's length from the City, under the direction of an independent Board of Directors.

Effective June 1, 2022, TSHC operates as an affordable rental and social housing for low and moderate-income senior households.

TSHC and Toronto Community Housing Corporation ("TCHC") entered into a transition agreement on June 1, 2022 to operate the 83 buildings owned by TCHC. In return, TCHC advances to TSHC the net monthly cash collected on these properties for market rent and rent geared to income ("RGI") less utilities, property taxes, mortgages, security patrols, and facilities management. TCHC continues to own the buildings and be responsible for major capital. TSHC intends to lease the buildings from TCHC and be responsible for minor capital and maintenance and will be focused on tenant facing issues, including health and social supports.

TSHC and TCHC entered into a service delivery agreement for IT Support, and other back office administration as of June 1, 2022.

TSHC is a municipally-owned corporation as it is owned by the City and, as such, is exempt from income taxes under paragraph 149(1)(d.5) of the Income Tax Act (Canada).

Under the Residential Tenancies Act, 2006, rental units located in a not-for-profit housing project, which are developed under a prescribed federal or provincial program, are exempt from residential rent controls.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS"), including accounting standards that apply to government not-for-profit organizations. The significant accounting policies are summarized below:

(a) Revenue recognition:

TSHC follows the deferral method of accounting for contributions for PSAS. Grants and funding designated for TSHC's mandate are recognized as revenue in the year in which the related expenses are incurred.

1. Significant accounting policies (continued):

Interest income is recorded when earned.

(b) Expenses:

In the statement of operations, TSHC presents its expenses by function. Expenses are recognized in the year incurred and recorded in the function to which they are directly related.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value.

(d) Employee related costs:

TSHC has adopted the following policies with respect to employee benefit plans:

- TSHC's contributions to a multi-employer, defined benefit pension plan and other post-employment benefit plans are expensed as contributions come due;

- the costs of terminating benefits and compensated absences that do not vest or accumulate are recognized when an event that obligates TSHC occurs; costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;

- the costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation, expected health-care costs and plan investment performance. Actuarial gains and losses are amortized over the expected average remaining service lives;

- employee future benefit liabilities are discounted using the average expected borrowing rate of TSHC over the year during which benefits are expected to be earned;

1. Significant accounting policies (continued):

- past service costs from plan amendments are expensed as incurred; and
- the costs of workplace safety and insurance obligations are actuarially determined and expensed. Actuarial gains and losses are recognized as incurred.

(e) Use of estimates:

These financial statements have been prepared by management in accordance with Canadian PSAS and accordingly, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from these estimates. The significant estimates in the financial statements include the collectability of receivables, deferred contributions, and the amount of certain accrued liabilities in the year they become known.

2. Related party transactions:

(a) Account balances with TCHC:

(i) Employee future benefits:

On June 1, 2022, 256 staff from TCHC seniors housing unit were transferred to TSHC inauguration and start of operation per the transition agreement. As result of the transfer of staff from TCHC to TSHC, vacation, lieu time, and post-retirement benefits were transferred from TCHC's book to TSHC. The vacation and lieu time of $1,210,814 (2021 - nil) was included in the short-term receivable, whereas the post-retirement benefits of $4,180,700 (2021 - nil) was classified as a long-term receivable from TCHC due to the legacy employees that was part of TCHC and the City of Toronto, and the arrangement made on the benefits payment as instalment from the City.

2. Related party transactions:

(ii) Transition and service delivery agreements:

On June 1, 2022, TSHC entered into a transition agreement with TCHC to service the 83 properties. Revenue received from these properties less costs related to the running of these properties were provided to TSHC as a monthly net revenue advance totaling $21,658,000 (2021 - nil), which $20,214,275 (2021 - nil) was recognized as revenue during the year resulting in an unspent balance of $1,631,409 (2021 - nil) payable to TCHC. Included in due to TCHC balance is a payable of $38,951 (2021 - nil) as a result of other various transactions with TCHC through the normal course of business. As part of the agreement, staff in the Seniors Housing Unit were transferred over to TSHC, and costs related to payroll were absorbed by TSHC.

As part of this agreement, TSHC pays for information technology services and back office administration on June 1, 2022. The monthly operating costs are included in the supplies and other operating expense line of $5,453,000 (2021 - nil) plus non-recoverable tax.

(b) Account balances with the City of Toronto:

Payable to City of Toronto is $92,467 (2021 - nil) representing cost of seconded staff to TSHC.

3. Accounts payable and accrued liabilities:

	2022	2021
Payroll and benefits payables	$ 2,570,118	$ 73,360
Other payables	587,186	99,280
Balance, end of year	$ 3,157,304	$ 172,640

4. Deferred grant revenue:

TSHC received funding from the City, as follows:

	2022	2021
Balance, beginning of year	$ 342,834	$ –
Grant received	7,635,000	985,000
Recognized as revenue	(4,859,003)	(642,166)
Balance, end of year	$ 3,118,831	$ 342,834

5. Employee benefits:

On June 1, 2022 the employees of TCHC Seniors Housing Unit were transferred to TSHC as part of the transition agreement. Along with the transfer of staff, the post-retirement liability obligations were transferred to TSHC from TCHC. TSHC also adopted a number of benefit plans from TCHC, including OMERS Pension Plan, and other health benefit plans.

The following are TSHC employee benefit plans:

(a) Non-pension post-retirement and post-employment benefit plans (other benefits):

The following benefit plan liabilities as at December 31, 2022 are based on the most recent actuarial valuation that has been completed as of December 31, 2022:

(i) Post-retirement medical, dental and life insurance benefits:

TSHC provides health, dental and life insurance benefits to certain employees. The same health, dental and life insurance benefits are provided to some retirees until age 65 and reduced benefits are provided thereafter.

The former Toronto Housing Corporation ("THC") participated in a payroll benefits plan reserve fund established by the City to provide for future post-retirement benefits and disability benefits to all city employees and retirees. The reserve fund is currently with TCHC and recorded as a long-term receivable with the City. This was not transferred to TSHC as of June 1, 2022.

5. Employee benefits (continued):

(ii) Accumulating sick leave benefits:

The accrued benefit obligation is based on the most recent actuarial valuation that was completed as at December 31, 2018. Under the sick leave benefit plan, unused sick leave can accumulate and bargaining unit employees may become entitled to a cash payment when they leave TSHC's employment. The liability for the accumulated sick leave represents both vested and unvested amounts that could be paid to bargaining unit employees on termination. The amount is currently accrued with TCHC, and was not transferred to TSHC as of June 1, 2022.

This past service liability was set up as a result of the former THC participation in a reserve fund established by the City. TCHC recorded a receivable from the City equal to the liability of the former THC. The amount is currently accrued with TCHC, and was not transferred to TSHC as of June 1, 2022.

(b) Supplementary employee retirement plan ("SERP"):

The following benefit plan liabilities as at December 31, 2022 are based on the most recent actuarial valuation that has been completed as at December 31, 2022:

In 2006, TCHC established the SERP for current eligible employees whose pension benefits were frozen in the Public Service Pension Plan or the Ontario Public Service Employees' Union Pension Plan as at January 1, 2001. A current eligible employee is one who was an active employee on February 15, 2006 (the date this benefit was approved by the Board of Directors) and had transferred employment on January 1, 2001 from the Metropolitan Toronto Housing Authority to TCHC and became a member of the Ontario Municipal Employees' Retirement Fund ("OMERS"). This plan provides a supplementary benefit so that the total pension benefit on retirement would have been the same as that received had the employee been able to transfer his or her pension to OMERS.

(c) OMERS:

Employees are members of OMERS, a multi-employer pension plan. The plan is a defined benefit plan and specifies the amount of the retirement benefits to be received by the employees based on length of service and the highest five years' average earnings. Employees and employers contribute jointly to the plan.

5. Employee benefits (continued):

In 2022, the OMERS funded ratio stands at 95% and the primary plan ended 2022 with a funding deficit of $6.7 billion. Because OMERS is a multi-employer plan, any pension plan surplus or deficit is the joint responsibility of all Ontario municipalities and their employees. TSHC does not recognize any share of the OMERS pension surplus or deficit.

Depending on the individual's normal retirement age and pensionable earnings, 2022 contribution rates were 9% to 14.6% (2021 - nil).

In 2022, total employee contributions were $996,873 (2021 - nil) and total employer contributions amounted to $996,873 (2021 - nil).

Employee benefits liabilities of TSHC:

	2022	2021
Post-retirement benefits (a)(i)	$ 1,435,000	$ –
Sick leave benefits (a)(ii)	1,395,000	–
Other benefits	2,830,000	–
SERP (b)	1,087,100	–
	$ 3,917,100	$ –

Additional information about TSHC's SERP and other benefit plans as at December 31 is as follows:

	SERP		Other benefits		Total	
	2022	2021	2022	2021	2022	2021
Accrued benefit obligation	$ 1,032,700	$ –	$ 3,638,000	$ –	$ 4,670,700	$ –
Unamortized actuarial gain (loss)	54,400	–	(808,000)	–	(753,600)	–
Accrued benefit liability	$ 1,087,100	$ –	$ 2,830,000	$ –	$ 3,917,100	$ –

5. Employee benefits (continued):

Continuity of TSHC accrued benefit liabilities:

	SERP 2022	SERP 2021	Other benefits 2022	Other benefits 2021	Total 2022	Total 2021
Balance, beginning of year	$ –	$ –	$ –	$ –	$ –	$ –
Transfer as of June 1, 2022	1,060,700	–	3,120,000	–	4,180,700	–
Current service cost	7,400	–	145,000	–	152,400	–
Interest cost	24,900	–	68,000	–	92,900	–
Benefits paid	(5,900)	–	(187,000)	–	(192,900)	–
Actuarial loss (gain)	–	–	492,000	–	492,000	–
Unamortized actuarial gain (loss)	–	–	(808,000)	–	(808,000)	–
Balance, end of year	$ 1,087,100	$ –	$ 2,830,000	$ –	$ 3,917,100	$ –

TSHC's employee benefits expense:

	SERP 2022	SERP 2021	Other benefits 2022	Other benefits 2021	Total 2022	Total 2021
Current service cost	$ 7,400	$ –	$ 145,000	$ –	$ 152,400	$ –
Interest cost	24,900	–	68,000	–	92,900	–
Amortization of actuarial loss (gain)	–	–	(316,000)	–	(316,000)	–
Balance, end of year	$ 32,300	$ –	$ (103,000)	$ –	$ (70,700)	$ –

5. Employee benefits (continued):

Actuarial assumptions:

The significant actuarial assumptions adopted in measuring TSHC's accrued benefit obligations and the benefit costs for the SERP and other employment and post-employment benefits are as follows:

	SERP		Other benefits	
	2022	2021	2022	2021
Discount rates for benefit obligations:				
Post-retirement and sick leave	–	–	4.10%	–
Post-employment	–	–	3.90%	–
Pension	4.40%	–		–
Discount rates for benefit costs:				
Post-retirement and sick leave	–	–	4.00%	–
Post-employment	–	–	1.90%	–
Pension	4.01%	–		–
Rate of compensation increase	2.50%	–	2.50%	–
Inflation rate	2.00%	–	2.00%	–
Healthcare inflation - select	–	–	5.39%	–
Healthcare inflation - ultimate	–	–	4.00%	–

For measurement purposes, a 5.39% annual rate of increase in the per capita cost of covered health-care benefits was assumed. The rate is assumed to decrease gradually to 4.00% by 2040 and remain at that level thereafter.

6. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. TSHC is exposed to this risk relating to its cash and accounts receivable. TSHC holds its cash accounts with a federally regulated chartered bank who are insured by the Canadian Deposit Insurance Corporation.

TSHC assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year end, there were no amounts allowed for in accounts receivable.

(b) Liquidity risk:

Liquidity risk is the risk that TSHC will not be able to meet all cash outflow obligations as they come due. TSHC mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and keeping accounts payable current throughout the year.

7. Impact of COVID-19 pandemic:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has an effect on TSHC's operation in 2022, of which $703,461 (2021 - nil) was incurred for staff wages and overtime due to extra cleaning as outlined by public health.

8. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.