ONTARIO MORTGAGE AND HOUSING CORPORATION

Financial Statements

For the Year Ended March 31, 2021

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ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Financial Position
As at March 31, 2021

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

Contingent Liabilities (Note 8)

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

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

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

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Operations

For the year ended March 31, 2021

	Budget ($ 000)	2021 ($ 000)	2020 ($ 000)
Revenue			
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	39,900	38,849	62,486
Expenses			
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	7,800	7,752	8,224
Excess of Revenues over Expenses from Operations (Note 9)	32,100	31,097	54,262
Net Liabilities Transferred to the Province (Note 3)	104,700	113,600	-
Excess of Revenues over Expenses	136,800	144,697	54,262

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

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Net Debt and Accumulated Deficit
For the year ended March 31, 2021

	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	(7,897)	-	(144,697)

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

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Cash Flows

For the year ended March 31, 2021

	2021 ($ 000)	2020 ($ 000)
Operating transactions		
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	29,309	55,118
Financing Transactions		
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	(34,133)	(53,215)
Investing Transactions		
Collection of Ontario Student Housing Long-Term Debt	-	1,025
(Decrease) increase in Cash	(4,824)	2,928
Cash Balance at Beginning of Year	4,824	1,896
Cash Balance at End of Year	-	4,824

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

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.

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.

(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:

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

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.

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:

	2021 ($ 000)	2020 ($ 000)
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)	-
Balance, end of year	-	38,419

5. Cash

The cash balance is made up of the following:

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

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

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:

	March 31, 2021 ($ 000)	March 31, 2020 ($ 000)
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)	-
	-	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.

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.

8. Contingent Liabilities (Continued)

(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 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.