

# **Ontario Mortgage Corporation**

**2010/2011  
Annual Report**



**Ministry of  
Municipal Affairs  
and Housing**

**Ontario Mortgage  
Corporation**

777 Bay St 2nd Flr  
Toronto ON M5G 2E5

Tel : (416) 585-7167  
Fax: (416) 585-7140

**Ministère des  
Affaires municipales  
et du Logement**

**Société d'hypothèques de  
l'Ontario**

777, rue Bay, 2<sup>e</sup> étage  
Toronto ON M5E 2E5

Tél: (416) 585-7167  
Télécopieur: (416) 585-7140



TO THE HONOURABLE RICK BARTOLUCCI  
MINISTER OF MUNICIPAL AFFAIRS AND HOUSING

MINISTER:

On behalf of the Corporation, and the Board of Directors appointed in September 2010, I am pleased to present a copy of the Ontario Mortgage Corporation's Annual Report and its audited financial statements for the fiscal year 2010/2011.

Respectfully submitted,

*[original signed by]*

Janet Hope

Chair

Ontario Mortgage Corporation



## Message from the Chair

In 2010/2011 the Ontario Mortgage Corporation was led by a newly appointed Board of Directors and accomplished a great deal. I would like to thank them all for their very hard work. This was also my first year as the Chair of the organization.

The volume of Ontario Mortgage Corporation business is declining as its mortgages are reaching maturity. Due diligence in managing this declining portfolio, and ensuring compliance with the Agency Establishment and Accountability Directive has been the primary focus of the Ontario Mortgage Corporation in the 2010/2011 fiscal year.

I look forward to working with the Board and the staff serving the Corporation, to ensure that the Ontario Mortgage Corporation continues to manage its business effectively.

A comprehensive review of the Ontario Mortgage Corporation was launched in 2010/2011. This work is expected to be completed by the end of 2011/2012, with the results aimed at providing recommendations for the future direction of the Corporation.

*[original signed by]*

---

Janet Hope  
Chair  
Ontario Mortgage Corporation



# **Ontario Mortgage Corporation**

## **Annual Report 2010/2011**

### **INTRODUCTION**

The Ontario Mortgage Corporation is a classified Operational Enterprise Agency of the Province of Ontario, established under the authority of the *Business Corporations Act* and reporting to the Minister of Municipal Affairs and Housing.

The Minister is the sole shareholder of the Ontario Mortgage Corporation, holding it in trust for the Province of Ontario and appointing the members of the Board of Directors.

As a result of asset sales mandated by the 1997 Government Task Force on Agencies, Boards and Commissions, the Ontario Mortgage Corporation is currently responsible for managing a small residual portfolio of housing mortgages, both performing and forgivable, for which the Province is responsible. The forgivable mortgage portfolio matures in 2015, and its outstanding marketable mortgage loans mature in 2024.

The Ontario Mortgage Corporation maintains a bank account in its own name, and its finances do not form part of the books of the Province. It is self-funding and does not receive any transfer payments from the Ministry of Municipal Affairs and Housing. Its direct operating expenditures are covered by revenues generated within the Corporation. Revenue not needed to cover operating expenses is transferred to the Province's Consolidated Revenue Fund as a dividend.

### **THE BOARD OF DIRECTORS**

The Ontario Mortgage Corporation's Board of Directors is appointed by and accountable to the Minister of Municipal Affairs and Housing. It ensures that the Corporation carries out its mandate effectively.

The Board may include six to nine directors. The Corporation and the Directors are administratively supported by public servants drawn from the Ministry of Municipal Affairs and Housing.

The Board of Directors is composed of senior provincial public servants appointed by Minister's letter, as coordinated by the Public Appointments Secretariat. The following are currently appointed to the Board.

| Name                  | Position           | Date of First Appointment | Appointment Expires |
|-----------------------|--------------------|---------------------------|---------------------|
| <b>Janet Hope</b>     | Chair,<br>Director | September 13, 2010        | December 31, 2011   |
| <b>Pam Skinner</b>    | Vice-Chair         | September 13, 2010        | December 31, 2011   |
| <b>Jim Cassimatis</b> | Director           | September 13, 2010        | December 31, 2011   |
| <b>Tracy Dallaire</b> | Director           | September 13, 2010        | December 31, 2011   |
| <b>Suzanne Graves</b> | Director           | September 13, 2010        | December 31, 2011   |
| <b>Keith Exance</b>   | Director           | September 13, 2010        | December 31, 2011   |

Meetings of the Board were held on February 11, March 2 and March 11, 2011. At these meetings the Board focussed on matters relating to the annual audit, financial administration, the on-going mortgage portfolio, and completion of work to comply with the requirements of the Agency Establishment and Accountability Directive.

## MANDATES

The Ontario Mortgage Corporation's mandate is primarily financial in nature, arising from the Corporation's former role in direct delivery of government funded mortgages. Specifically it is responsible for managing and administering the Corporation's forgivable mortgage loans established under the Housing Incentive Program.

- Some of these interest free loans are for a term of 15 years. After 5 years, the principal balance outstanding is reduced by 10% per annum.
- Other interest free loans are for a term of 35 years. After the mortgage has reached the 11<sup>th</sup> year, the mortgage is reduced by 1/15<sup>th</sup> of the principal balance outstanding under the mortgage. In the event of default, under the program requirements, the principal balance outstanding is due and payable.
- Electronic discharges are now mandatory. All discharge and/or cessation of mortgages must be registered by the Corporation in the appropriate Land Registry Office.

The Corporation is also responsible for managing its performing mortgage portfolio and for issuing electronic discharge as applicable.

- Marketable loans are non-interest-bearing and have a repayable term of 15 years. Some of these marketable non-interest-bearing loans, while in their 11<sup>th</sup> year of the term, require monthly payments of principal until maturity.
- Some of these are marketable non-interest-bearing 35 year term loans that require a full payment of principal upon maturity.

## ACTIVITIES IN 2010/2011

### 1. Mortgage Administration

The Corporation's current portfolio is declining, as no direct mortgage loans have been provided since 1978, and no other new loans have been made since 1992. Hence, the activities of the Corporation include managing the remaining portfolio, and issuing electronic discharges for current and prior mortgages registered in favour of the Corporation.

All correspondence and telephone inquiries on the mortgage portfolio were handled by the staff support team. They were also responsible for updating the mortgage database as required.

The Corporation continues to collect funds from mortgage discharges. Funds generated by the Corporation are deposited in the Consolidated Revenue Fund as dividends are declared. While the amount varies from year to year, a downward trend is evident as the Corporation's business activities continue to decline.

As of March 31, 2011, the Corporation was responsible for:

- 17 mortgages under the Permanent Homes for the Homeless Program, maturing in 2015, valued at \$4.8 million;
- 4 mortgages under the Project 3600 Housing Program expiring in 2024, with full payment due on discharges in 2024 valued at \$4.3 million;
- 185 forgivable loans related to low-rise buildings, valued at \$2.37 million;
- revising and examining issues related to the activities of the Ontario Mortgage Corporation and the Ontario Mortgage and Housing Corporation, to assist in determining the future direction of these Corporations; and
- implementing and reviewing changes affecting the future of the Corporation, as recommended by the Board of Directors.

## **2. Board and Organizational Revitalization**

A key priority for the Corporation in the 2010/2011 period was to confirm administrative support services as provided by the Ministry.

Three Board meetings were held, one in February, 2011 and two in March, 2011.

## **3. Administration Activities**

The following employees of the Ministry have been fulfilling the identified roles in the Corporation from 2010-2011:

- **Alison Coke**, President and Chief Executive Officer
- **Jim Cassimatis**, Treasurer
- **Irene Neill**, Corporate Secretary

The President and Chief Executive Officer is responsible for managing the day-to-day operations of the agency.

The Treasurer is responsible for reviewing the financial affairs of the Corporation.

The Corporate Secretary's duties include:

- attending Board meetings;
- recording minutes of Board meetings; and
- signing off on minutes of the Board meetings.

## **4. Compliance with the Agency Establishment and Accountability Directive**

A major priority of the Agency has been to ensure that the Corporation is compliant with the updated Agency Establishment and Accountability Directive issued by the Ministry of Government Services, which imposed new accountability and reporting requirements on all agencies effective January 26, 2010. To this end, the Board and staff completed a Business Plan for the years 2011/2014, which included a risk assessment and performance measures; the Chair signed a revised Memorandum of Understanding with the Minister; and the required external audit was done for fiscal year 2009/2010.

## NATURE OF OPERATIONS

The Ontario Mortgage Corporation manages a forgivable mortgage portfolio maturing in 2015, and other outstanding performing mortgage loans maturing in 2024. In doing so, its routine operational activities include:

- discharging mortgages electronically in Land Registry Offices, and ensuring that the Corporation is removed from title in relation to mortgages for which discharges have not been registered;
- updating the Corporation's mortgage database of outstanding mortgages by posting payments and reporting mortgage balances;
- reviewing and responding to correspondence from insurance companies on mortgages;
- preparing financial summaries of revenue received from accounts, and submitting summaries to the Ministry;
- issuing monthly payments to Teranet for electronic discharges of mortgages on behalf of the Corporation;
- administering mortgages subject to powers of sale, bankruptcies, city violations and tax sales;
- liaising with the Canada Mortgage and Housing Corporation on residual mortgages, leaseholds, and deferred mortgages, as shown on title;
- receiving monthly payments for the Corporation's share of Canada Mortgage and Housing Corporation-administered mortgage loans, and remitting them as dividends; and
- responding to telephone inquiries for the Corporation on behalf of the Ministry.

## PERFORMANCE DURING THE YEAR 2010/2011

### 1. Operational Performance

The Corporation was able to complete its operational duties during the course of the year as required by its mandate. The Ministry completed a reorganization that rationalized and improved support to the Corporation.

The government began a review of the Corporation in 2010 and on March 15, 2011 announced its intention to merge the Ontario Mortgage Corporation and the Ontario Mortgage and Housing Corporation. Further review work to achieve this commitment will continue in 2011/2012.

## **2. Financial Performance**

The Corporation managed the mortgages and the resulting funds in accordance with applicable financial guidelines and policies and the terms of the individual mortgage agreements. Due diligence is a priority for mortgage administration, so the Corporation can be sure that revenues due to the Corporation are collected and managed appropriately.

An external audit has been completed in relation to the Corporation for the 2010/2011 period. The Board has received an unqualified Audit Report.

## **3. Future Performance Measures and Targets:**

The Corporation has not yet prepared specific performance targets over and above its general commitments to good management and compliance with applicable rules of financial and administrative performance.

As part of its business planning for the year 2011/2012, should the Corporation continue in its present form, it would seek to develop performance measures for appropriate targets in relation to each activity for which it is responsible.

**ONTARIO MORTGAGE  
CORPORATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2011**

**INDEX**

|                                   | <b>Page</b> |
|-----------------------------------|-------------|
| Independent Auditor's Report      | 2           |
| Financial Statements              |             |
| Balance Sheet                     | 3           |
| Statement of Operations           | 4           |
| Statement of Cash Flows           | 5           |
| Notes to the Financial Statements | 6           |



Dennis J. Weiler, CA  
Lori A. Halliday, CA  
Michael J. Kerr, CA  
Lisa A. Bursey, CA

Martha M. Zettle, CA, CPA, TEP  
Dan J. Waterston, CA, CA:IT, CA:CISA  
Paul M. Di Renzo, CA

## INDEPENDENT AUDITOR'S REPORT

**To: The Shareholder of Ontario Mortgage Corporation**

We have audited the accompanying financial statements of **Ontario Mortgage Corporation**, which comprise the statement of financial position as at **March 31, 2011** statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Mortgage Corporation at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Guelph, Ontario  
June 27, 2011

Weiler & Company  
Chartered Accountants  
Licensed Public Accountants

**ONTARIO MORTGAGE CORPORATION**  
**BALANCE SHEET**  
**AS AT MARCH 31, 2011**

|                                                  | 2011              | 2010             |
|--------------------------------------------------|-------------------|------------------|
| <b>A S S E T S</b>                               |                   |                  |
| <b>CURRENT</b>                                   |                   |                  |
| Cash                                             | \$ 169,124        | \$ 31,404        |
| Due from Canada Mortgage and Housing Corporation | 215,789           | 26,539           |
| Due from Ministry of Finance                     | 3,859             | 389              |
| Sundry receivables                               | 50                | 46               |
| Prepaid expenses                                 | <u>9,000</u>      | <u>5,000</u>     |
|                                                  | 397,822           | 63,378           |
| <b>OTHER ASSETS</b>                              |                   |                  |
| Mortgages receivable (note 2)                    | <u>1,006</u>      | <u>6,698</u>     |
|                                                  | <u>\$ 398,828</u> | <u>\$ 70,076</u> |
| <b>L I A B I L I T I E S</b>                     |                   |                  |
| <b>CURRENT</b>                                   |                   |                  |
| Accounts payable and accrued liabilities         | \$ 3,241          | \$ 3,048         |
| Due to Ministry of Municipal Affairs and Housing | <u>466,429</u>    | <u>172,070</u>   |
| <b>Total Liabilities</b>                         | <u>469,670</u>    | <u>175,118</u>   |
| <b>S H A R E H O L D E R ' S   D E F I C I T</b> |                   |                  |
| <b>CAPITAL STOCK</b>                             |                   |                  |
| Authorized                                       |                   |                  |
| Unlimited common shares                          |                   |                  |
| Issued                                           |                   |                  |
| 10 common shares for                             | <u>10</u>         | <u>10</u>        |
| <b>DEFICIT</b>                                   |                   |                  |
| As previously stated                             | (105,052)         | (111,820)        |
| Accounting adjustment (note 3)                   | <u>0</u>          | <u>50,586</u>    |
| As restated                                      | (105,052)         | (61,234)         |
| Net income for the year                          | 34,200            | 6,182            |
| Dividend paid on common shares                   | <u>0</u>          | <u>(50,000)</u>  |
| Balance at end of the year                       | <u>(70,852)</u>   | <u>(105,052)</u> |
| <b>Total Shareholder's Deficit</b>               | <u>(70,842)</u>   | <u>(105,042)</u> |
|                                                  | <u>\$ 398,828</u> | <u>\$ 70,076</u> |

see accompanying notes

**ONTARIO MORTGAGE CORPORATION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

|                                | 2011             | 2010            |
|--------------------------------|------------------|-----------------|
| <b>REVENUE</b>                 |                  |                 |
| Recovery of mortgage advances  | \$ 34,267        | \$ 0            |
| Discharge fees                 | 14,594           | 13,325          |
| Interest income                | <u>1,827</u>     | <u>2,571</u>    |
|                                | <u>50,688</u>    | <u>15,896</u>   |
| <b>EXPENSES</b>                |                  |                 |
| Professional fees              | 9,074            | 1,144           |
| Discharge fees                 | 6,771            | 7,262           |
| Office                         | 360              | 360             |
| Mortgage administration fees   | 240              | 884             |
| Bank charges and interest      | <u>43</u>        | <u>64</u>       |
|                                | <u>16,488</u>    | <u>9,714</u>    |
| <b>NET INCOME</b> for the year | <u>\$ 34,200</u> | <u>\$ 6,182</u> |

**ONTARIO MORTGAGE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

|                                                                          | 2011              | 2010             |
|--------------------------------------------------------------------------|-------------------|------------------|
| <b>CASH PROVIDED BY (USED IN)</b>                                        |                   |                  |
| <b>OPERATING ACTIVITIES</b>                                              |                   |                  |
| Net income for the year                                                  | \$ 34,200         | \$ 6,182         |
| Changes in non-cash working capital items                                |                   |                  |
| (Increase) in due from Ministry of Finance                               | (3,470)           | (311)            |
| (Increase) decrease in due to Canada Mortgage and<br>Housing Corporation | (189,249)         | 2,649            |
| (Increase) in sundry receivables                                         | (4)               | (36)             |
| (Increase) in prepaid expenses                                           | (4,000)           | (5,000)          |
| Decrease in mortgages receivable                                         | 5,692             | 24,130           |
| Increase in accounts payable and accrued liabilities                     | <u>192</u>        | <u>189</u>       |
|                                                                          | <u>(156,639)</u>  | <u>27,803</u>    |
| <b>FINANCING ACTIVITIES</b>                                              |                   |                  |
| Receipts from (advances to) Ministry of Municipal Affairs<br>and Housing | 294,359           | (65,375)         |
| Dividends paid                                                           | <u>0</u>          | <u>(50,000)</u>  |
|                                                                          | <u>294,359</u>    | <u>(115,375)</u> |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                   | 137,720           | (87,572)         |
| <b>CASH, BEGINNING OF YEAR</b>                                           | <u>31,404</u>     | <u>118,976</u>   |
| <b>CASH, END OF YEAR</b>                                                 | <u>\$ 169,124</u> | <u>\$ 31,404</u> |

**ONTARIO MORTGAGE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

**NATURE OF BUSINESS**

The Company was incorporated under the Corporations Act in 1948 and remained active until April 1, 1982, at which time its assets, liabilities and shareholder's equity were transferred to Ontario Land Corporation (OLC). OLC ceased active operations on March 31, 1987, at which time the Corporation was reactivated under the Ontario Business Corporations Act and certain assets and liabilities of OLC were transferred to it. All the outstanding shares of the Corporation are held in trust for the Crown in the Right of the Province of Ontario (the Province). Effective October 1, 1994, the outstanding shares together with all assets and liabilities of the Corporation were transferred from the Chair of Management Board of Cabinet to the Minister of Municipal Affairs and Housing (formerly the Minister of Housing). The Corporation returns funds to the Province in the form of dividends arising from current year's earnings and capital recoveries from mortgages and real estate.

In response to government policy, the Corporation sold the majority of its mortgage portfolio during the year ended March 31, 1988. Portions of the remaining portfolio may be sold in the future. The Corporation has entered into an agreement with the Canada Mortgage and Housing Corporation to administer the remaining mortgages.

The Corporation administers certain housing incentive programs and undertakes transactions on behalf of the Ministry of Municipal Affairs and Housing and its related agencies and Crown corporations. Where funds are deposited in the Corporation's bank account related to these transactions, the Corporation earns interest on the funds. Where mortgages are administered under these programs, administration fees are earned and shown as revenues of the Corporation. The Corporation also administers a portfolio of land leases and deferred mortgages for the Ministry of Municipal Affairs and Housing and a portfolio of second mortgages for the Ministry of Finance. Salaries, benefits and other administrative expenses of the Corporation are absorbed by the Ministry of Municipal Affairs and Housing.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The following summary of significant accounting policies is presented in order to assist the reader in interpreting these financial statements:

**(a) REVENUE RECOGNITION**

Revenue from the sale of real estate is recognized when title passes to the purchaser. All other revenue is recognized when received.

**(b) MORTGAGES RECEIVABLE**

Mortgages receivable are carried at the principal amount outstanding plus accrued interest, less mortgage allowance and provision for losses.

**ONTARIO MORTGAGE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**(c) FINANCIAL INSTRUMENTS**

In accordance with CICA standards, the entity's assets and liabilities are generally classified and measured as outlined below.

Cash and cash equivalents are classified as held for trading. They are accounted for at market value with the change in market value recognized in net income for the year, unless market value is not readily determinable.

Accounts receivable, amounts due from various Ministries and mortgages receivable are classified as loans and receivables. They are accounted for at amortized cost.

Accounts payable and accrued liabilities and amounts due to various Ministries are classified as other liabilities. They are accounted for at amortized cost.

**(d) USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, capital assets, goodwill and accounts payable and accrued liabilities.

**2. MORTGAGES RECEIVABLE**

Mortgages receivable include principal and accrued interest for 2 (2010 - 7) outstanding mortgages. Maturity dates and interest rates vary for these mortgages.

**3. ACCOUNTING ADJUSTMENT**

Due to a number of bookkeeping errors in prior periods, mortgages receivable were understated by \$50,586 in the Corporation's prior year financial statements and, accordingly, net earnings were also understated by \$50,586. This error has been corrected by restating the opening retained earnings of the prior year's financial statements.

**ONTARIO MORTGAGE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

**4. FINANCIAL RISK MANAGEMENT**

The Corporation may be exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency risk, and other price risk):

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Corporation. It is management's opinion that the Corporation is not exposed to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet a demand for cash or fund its obligations as they come due. It is management's opinion that the Corporation is not exposed to significant liquidity risk.

c) Market risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

It is management's opinion that the Corporation is not exposed to significant market risk.

**5. CAPITAL DISCLOSURE**

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing its ability to achieve the Corporation's mission through suitable debt and accumulated net assets appropriate for an entity of the Corporation's size and status. The Corporation is not subject to externally imposed capital requirements and the Corporation's strategy with respect to capital risk management is Management's review of cash flow needs on a regular basis.

**6. POTENTIAL MERGER**

In March 2011, the Ontario Government announced that it is moving forward with its plan to reduce the number of agencies and the potential merger of the Ontario Mortgage and Housing Corporation and the Ontario Mortgage Corporation. Currently, a number of options are being explored and no decision has been made on the future direction of the Corporation.