Housing Services Corporation

2019 Annual Report

HSC

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Letter from the CEO & Chair

At HSC, 2019 marked the start of our new three year strategic plan. The plan builds on the organizational transformation that we undertook several years ago. It focuses primarily on improving services that have undergone major redesigns and our support function in Ontario's community housing sector.

This support function became more defined in 2019 with the launch of our Business Solutions offering. In certain respects, HSC Business Solutions has formalized a type of work that we'd been doing for several years. But this work had been something which we'd done "off the sides of our desks." In creating a formal business unit for these projects, HSC is making a deliberate commitment to meeting the strong demand in the sector for assistance on projects that require the unique housing expertise we have and continue to build.

Building and sustaining this capacity represents the third pillar of our plan, which focuses on investing in our people and systems. As we move into the twenty-first century, information and knowledge have become the engine that drives business. In keeping with our non-profit mission, our goal is to leverage technology to support people — both our clients and our employees.

We would like to thank HSC employees for their achievements and dedication during the year. We look forward to making an even greater impact in 2020.

Howie Wong,
CEO

Bill Bradica,
Board Chair

HSC

Strategic Plan Summary 2019-2021

Our Strategic Goals and Objectives

Evolve Organizational Capacity

Deepen Housing Knowledge

Strengthen business acumen & offer development opportunities to foster committed, capable, engaged employees

Leverage Enterprise Systems

Improve system integration, efficiency and customer insight

People-Focused

Ensure HSC services align with client goals and drive new ways of doing business

Sharpen our Competitiveness

Deliver Practical Tools

- Insurance: Risk Management & Tenant Insurance
- Energy Management Program
- Capital Reserves: investment products and advice
- Support Asset Management
- "Fill the gap" Business Solutions

Drive Down Costs

- Leverage the "Power of the Group"
- Ensure value for money
- Control costs via program design
- Encourage use of unique HSC value-adds

Offer Innovative Products & Services

- Support continuous innovation
- Continue to explore partnerships across Canada to drive stronger Ontario sector
- Pursue opportunities to support sector growth

Drive Client Loyalty

Align with Client Goals & Strategy

- Actively engage clients
- Solicit regular feedback
- Portfolio analysis
- Support client needs

Share Knowledge

- Regeneration Forum & SHARE
- Stewardship of province-wide data
- Showcase best practices in sector

Provide Exceptional Customer Service

- Put people first
- Be responsive to client's needs
- Relentless focus on quality and improvement

Our Mission

Sustain the Physical Asset & Increase Supply of Affordable Housing

House People Better

Our Values

People First	Integrity	Accountability	Excellence	Innovation	Partnerships

Energy Services

In 2019, HSC delivered winter heat and comfort to almost 14,000 buildings.Our natural gas program also delivered our Local Housing Corporation (LHC) clients results – rates for 2020 were the **lowest in more than 10 years** and **beat out comparable municipal group buying programs**.

In addition, LHCs enthusiastically responded to our new options for fixed transportation costs, with 84% of total program volume committed for two years or more.

HSC also improved the value of its Utility Management Program in 2019 by re-platforming it onto EnergyCAP, a **state-of-the-art utility benchmarking software**. The software, combined with HSC's in-house expertise, offers providers new insight into the energy consumption of their portfolios.

Given that utility costs are the single largest operational expense for providers, Ontario's largest housing providers will have opportunities to save even more under the HSC Energy Services program.

Insurance & Risk Management

Through our subsidary, HSC Insurance Inc., HSC protects and insures over 166,000 homes across Ontario. 2019 was a challenging year for our Group Insurance Program. Claims by providers in excess of $14 million during the 2018-19 policy term, combined with a hard global insurance market had us concerned about the 2019-20 outlook. Some providers in other programs had seen increases of 60% or refusals to renew. Private residential buildings also saw premiums jump dramatically.

Though we did need to raise the minimum deductibles and increase the size of our client-funded Claims Trust Fund, we were able to **hold the overall rate increase to 14%** — a modest increase relative to the program's five-year claims performance, the risk we carry and market conditions. We attribute this to the long-term relationships we have been building among international brokers and their confidence in our program design and management, with its focus on fostering active risk management and mitigation.

Going into the 2019-20 term:

- 49% of providers have mandatory tenant insurance,
- 31% are actively monitoring compliance of this policy;
- 34% have implemented smoke-free policies;
- 13% have buildings equipped with stovetop safety elements

As a result, residents and buildings are safer. Providers are also benefitting from almost **$1M in risk credits** on their insurance costs. Our goal is to continue to raise these numbers even higher.

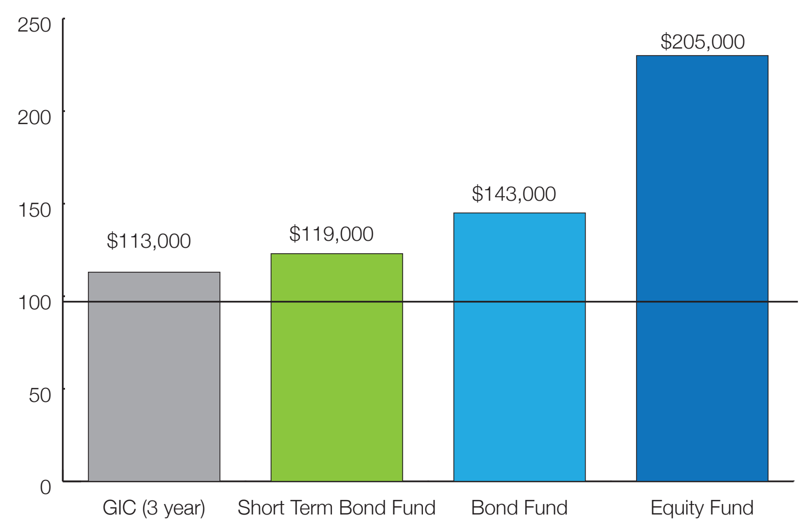
Capital Reserve Investments

Through our subsidiary, Encasa Financial Inc., owned in partnership with the Cooperative Housing Federation (CHF), CHF BC and the British Columbia Non-Profit Housing Association, HSC oversees and manages over $500M for more than 800 housing providers in Ontario. In 2019 Encasa Financial achieved a critical milestone in its evolution as an organization by bringing its investor services completely in-house. Encasa staff now offer housing providers investment advice, respond to inquiries and assist with transactions directly – without an intermediary. Providers deal with investment experts in an organization committed to the interests of community housing and the strategic goals of capital asset management.

Encasa Funds continued to generate solid returns on provider investments. In addition, Encasa simplified its program by merging its Series A (Ontario) and Series B (Canada-wide) units and took preliminary steps to launch its mass communications plan.

10 Year Performance vs. 3 Year GIC

(Growth of $100,000)



Business Solutions

HSC officially launched its Business Solutions unit in 2019. Response to our competitively priced, high impact services in strategic planning, data analysis and business improvement has been enthusiastic. The team completed **28 projects in the year** relating to:

- Housing Master Plans
- Housing & Homelessness Plans
- Asset Management Planning
- Financial Modeling for new development
- Consultation, Facilitation and & Engagement sessions
- Capital Management and Financing Plans
- Housing Provider Viability Reviews

Technical Services

In 2019, HSC Technical Services started on **14 new projects**, providing assistance to organizations with limited in-house capacity to support capital projects. Clients included co-ops using the **CHF Canada Refinancing Program**, Service Managers and non-profits.

HSC Technical Services also partnered with HSC Business Solutions on projects where the procurement, coordination and review of Business Condition Assessments was required – typically as part of a broader portfolio analysis.

Partnerships

2019 marked the beginning of a new era in affordable housing finance in Canada. The **HPC Housing Investment Corporation** (HIC), a partnership initiative of **BC Housing**, **Manitoba Housing** and **HSC**, closed its inaugural round of financing, utilizing the capital markets to deliver low interest, long-term money for development.

With an investment from the **Canada Mortgage and Housing Corporation's** Affordable Housing Innovation Fund, HIC was able to secure **$33M for new developments in Alberta and British Columbia**. It currently has a **$320M pipeline for projects across Canada**.

BC HOUSING

HPC Housing Investment Corporation

manitoba housing

CMHC SCHL

HSC

Events & Stakeholder Engagement

In 2019, HSC continued to foster the exchange of best practices and innovations and to support important pan-Canadian initiatives and the revitalization of community housing.

We put on our **fourth Regeneration Forum**.We also held an exciting **SHARE Innovation Forum** in October, in partnership with **Cahdco** on new collaborations that are emerging in our sector, in Ottawa and elsewhere. In partnership with the **HPC Housing Investment Corporation**, we hosted a webinar on understanding financial proformas, an essential skill for providers that seek to develop or redevelop their portfolios.

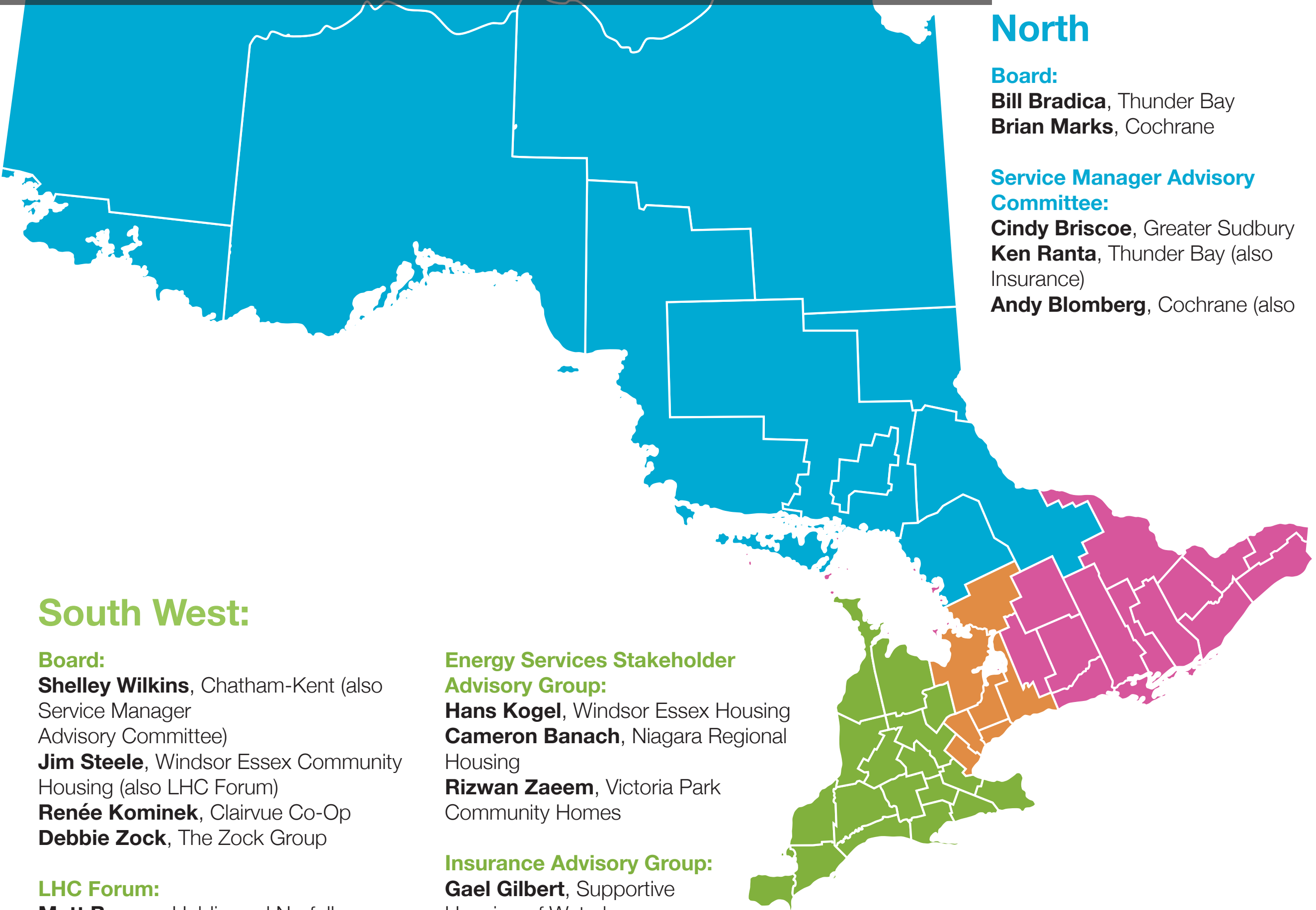
We also regularly met with our **stakeholder advisory groups**; convened two **all-Service Manager meetings**; participated in provider meetings and continued our series of **face-to-face meetings with Service Managers** across Ontario.

Internal Initiatives & Our People

HSC's successes in 2019 would not be possible without its employees. This year we were pleased that employee survey results revealed a high degree of staff engagement. Towards sustaining staff engagement and improving staff knowledge of the sector, we held a series of client relations workshops. We also leveraged the expertise and perspectives of our board members, inviting several to present on their organizations and perspectives on community housing.

HSC also embarked on a series of digital initiatives to position itself for the future: we upgraded our IT infrastructure, implemented an employee expense software and started development on a Service Manager portal based on the growing depth of our CRM system.

The People Who Help Us Advance the Sector: 2019



North

Board:
Bill Bradica, Thunder Bay
Brian Marks, Cochrane

Service Manager Advisory Committee:
Cindy Briscoe, Greater Sudbury
Ken Ranta, Thunder Bay (also Insurance)
Andy Blomberg, Cochrane (also Energy Services)
Jeff Barban, Sault Ste. Marie (also Energy Services)

Energy Services Stakeholder Advisory Group:
Barry Caland, Thunder Bay
Ben Reynolds, Kenora
Patrick Wittman, Greater Sudbury

Insurance Advisory Group:
Kelly Black, Timiskaming
Samantha Vance, Thunder Bay
Dan Saumur, Greater Sudbury

East

Board:
Graeme Hussey, Cahdco
Ron Holman, Rideau Lakes (Vice Chair)
Stéphane Giguère, Ottawa Community Housing
Sheldon Laidman, Peterborough

Service Manager Advisory Committee:
Alison Tutak, Leeds & Grenville
Lisa Goodfellow, Ottawa
Rebecca Morgan-Quinn, Peterborough
Ruth Noordegraaf, Kingston

Energy Services Stakeholder Advisory Group:
Dan Dicaire, Ottawa Community Housing
Martin Musgrave, Peterborough Housing

LHC Forum:
Mary Lynn Cousins Brame, Kingston Frontenac Community Housing
Michael Wilson, Ottawa Community Housing
Darlene Cook, Peterborough Housing
Peggy Fulton, Cornwall and Area Housing

South West:

Board:
Shelley Wilkins, Chatham-Kent (also Service Manager Advisory Committee)
Jim Steele, Windsor Essex Community Housing (also LHC Forum)
Renée Kominek, Clairvue Co-Op
Debbie Zock, The Zock Group

LHC Forum:
Matt Bowen, Haldimand Norfolk Housing

Service Manager Advisory Committee:
Debbie Cercone, Windsor
Stephen Giustizia,HDC London

Service Manager Housing Company Network:
Donna Woiceshyn, Niagara Regional Housing

Energy Services Stakeholder Advisory Group:
Hans Kogel, Windsor Essex Housing
Cameron Banach, Niagara Regional Housing
Rizwan Zaeem, Victoria Park Community Homes

Insurance Advisory Group:
Gael Gilbert, Supportive Housing of Waterloo

Central/GTA

Board:
Gord Perks, Toronto
Zoran Churchin, Zoran Properties
Janice Sheehy, Peel
Micheal Duben, Muskoka

Service Manager Advisory Committee:
Aileen Baird, Peel
Alan Robins, Durham
Arfona Zwiers, Simcoe
Glenn Courtney, Toronto
Jody DeGagne, York

Energy Services Stakeholder Advisory Group:
Chris Shilton, CityHousing Hamilton
Michelle Willson & Kelly Miller, Housing York
Boyd Dyer, Toronto Community Housing
Jeff Yeo, Muskoka

Insurance Advisory Group:
John Angkaw, Toronto Community Housing
Tina Gardiner, York
Kevin Bradley, Ajax Municipal Housing

Service Manager Housing Company Network:
Andrew Balahura, Halton
Erin Mifflin, Halton Community Housing
Eleanor MacDonald, Durham Region
Kerry Hobbs, Housing York

LHC Forum:
Lindsay Viets, Toronto Community Housing
Tom Hunter, CityHousing Hamilton

We would also like to acknowledge those who in 2019 wrapped up their service with HSC. Including former board members **David Szwarc**, **Catherine Matheson** and **Mike Trojan**; **Mina Fayez-Bahgat** and **Dan Labrecque** on the Service Manager Housing Company Network, **Josh Browne** on the LHC Forum; and **Ken Ranta, Norm Turner** and **Ann Peixoto** on the Energy Services Stakeholder Advisory Group.

HOUSING SERVICES CORPORATION

Summary Consolidated Financial Statements

Year Ended December 31, 2019

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Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Members of Housing Services Corporation

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position and the summary consolidated insurance trust fund statement of financial position as at December 31, 2019, and the summary consolidated statements of changes in net assets, revenue and expenditures for the year then ended, and related notes, are derived from the audited consolidated financial statements of Housing Services Corporation for the year ended December 31, 2019.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by Canadian accounting standards for not-for-profit organizations. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Entity's audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated June 26, 2020.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the criteria disclosed in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements.*

London, Canada
June 26, 2020

Chartered Professional Accountants
Licensed Public Accountants

HOUSING SERVICES CORPORATION

Summary Consolidated Statement of Financial Position

December 31, 2019

		2019		2018
ASSETS				
Cash	**$**	**2,438,897**	$	2,280,670
Cash and cash equivalents - OCCSDC		**-**		9,374,620
Investments		**9,299,858**		8,354,138
Accounts receivable		**2,351,262**		2,758,805
Taxes other than income taxes recoverable		**19,105**		-
Prepaid expenses		**146,251**		187,823
Due from trust fund		**1,136,582**		1,696,019
		15,391,955		24,652,075
Investment in Encasa Financial Inc.		**200,000**		200,000
Loan to HI-C Issuer Trust		**1,350,000**		1,000,000
Capital assets		**131,490**		165,747
Investment in Chartered Institute of Housing Canada Inc.		**-**		2
	$	**17,073,445**	$	26,017,854
LIABILITIES AND NET ASSETS				
Accounts payable	**$**	**3,375,590**	$	3,719,821
Due to OCCSDC		**-**		9,374,620
Taxes other than income taxes payable		**-**		101,758
Deferred revenue		**368,802**		335,947
		3,744,392		13,532,146
NET ASSETS				
Accumulated surplus		**5,147,986**		4,638,768
Reserve funds		**8,181,067**		7,846,910
		13,329,053		12,485,678
	$	**17,073,445**	$	26,017,824

See accompanying notes to the financial statements.

HOUSING SERVICES CORPORATION

Summary Consolidated Insurance Trust Fund Statement of Financial Position

As at December 31, 2019

		2019		2018
ASSETS				
Cash and investments	**$**	**25,047,089**	$	26,378,828
Accounts receivable		**3,541,684**		2,067,312
Deposit with insurance companies		**2,011,985**		1,689,525
	$	**30,600,758**	**$**	30,135,665
LIABILITIES				
Due to insurance companies	**$**	**1,785,294**	$	1,610,241
Balances available for the payment of future claims		**27,226,760**		26,071,920
Due to Ministry of Finance – retail sales tax		**452,122**		757,485
Due to general fund		**1,136,582**		1,696,019
	$	**30,600,758**	$	30,135,665

See accompanying notes to the financial statements.

HOUSING SERVICES CORPORATION

Summary Consolidated Statement of Changes in Net Assets

Year Ended December 31, 2019

	Accumulated Surplus	Reserve Funds	**2019**	2018
NET ASSETS - BEGINNING OF YEAR	$ 4,638,768	$ 7,846,910	**$ 12,485,678**	$ 10,915,323
Excess of revenue over expenditures	843,375	-	**843,375**	1,570,355
Fund transfers	(334,157)	334,157	**-**	-
NET ASSETS - END OF YEAR	$ 5,147,968	$ 8,181,067	**$ 13,329,053**	$ 12,485,678

See accompanying notes to the financial statements.

HOUSING SERVICES CORPORATION

Summary Consolidated Statement of Revenue and Expenditures

Year Ended December 31, 2019

		2019		2018
REVENUE				
Bulk purchasing program	**$**	**16,736,172**	$	15,803,405
Energy program		**106,825**		636,980
Group insurance program		**1,365,625**		1,354,283
Other sector programs		**2,027,370**		1,801,654
Management fees		**57,958**		35,857
Investment income		**582,724**		170,147
Equity loss on investment in CIH Canada Inc.		**-**		(8,218)
		20,876,674		19,794,108
EXPENDITURES				
Bulk purchasing program		**16,428,732**		14,651,054
Energy program		**297,923**		425,195
Group insurance program		**893,892**		781,557
Other sector programs		**2,412,752**		2,365,947
		20,033,299		18,223.753
Excess of revenue over expenditures for the year		**843,375**		1,570,335

See accompanying notes to the financial statements.

Housing Services Corporation (HSC or Organization) was created by the Social Housing Reform Act, 2000 and continued under the Housing Services Act (2011) on January 1, 2012. Its membership includes all Service Managers, Local Housing Corporations and all prescribed Non Profit and Co-operative Housing Providers. HSC's mandate includes:

- Establish and manage insurance programs for members prescribed;
- Establish and manage schemes to pool capital reserve funds for members that are housing providers;
- Establish and manage schemes for the joint purchase of natural gas by members that are housing providers;
- Undertake research and provide advice to the Province of Ontario, service managers and housing providers with respect to the establishment and use of performance measures and good practices to achieve the efficient and effective provision and long term sustainability and viability of housing for moderate and low income households; and
- Undertake such other activities as are prescribed.

1. SUMMARY FINANCIAL STATEMENTS:

The summary consolidated financial statements are derived from the complete audited consolidated financial statements, prepared in accordance with Canadian accounting standards for not-for-profit organizations, as at and for the year ended December 31, 2019. The subsidiary includes:

- HSC Insurance Inc.

All intercompany transactions and balances have been eliminated upon consolidation.

The preparation of these summary consolidated financial statements requires management to determine the information that needs to be reflected in the summary financial consolidated statements so that they are consistent, in all material respects, with or represent a fair summary of the audited consolidated financial statements.

These summarized consolidated financial statements have been prepared by management using the following criteria:

(a) whether information in the summary consolidated financial statements is in agreement with the related information in the complete audited consolidated financial statements; and

(b) whether, in all material respects, the summary consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited consolidated financial statements, including the notes thereto.

The complete audited consolidated financial statements of the Housing Services Corporation are available upon request by contacting the Housing Services Corporation.

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