Strathroy Caradoc Housing Corporation

Agenda

Monday July 29 2025

4:30 pm

Committee Room

Strathroy-Caradoc Municipal Office

52 Frank Street

Strathroy, ON

1. Roll Call

2. Approval of Agenda

   Recommendation
   THAT: the July 29 2025 - Strathroy Caradoc Housing Corporation Meeting Agenda be approved as circulated.

3. Declaration of Pecuniary Interest

4. Approval of Minutes
   NONE

5. Approval of 2024 Draft Audit

   5.1 2024 Draft Audit

   Recommendation
   THAT: the 2024 Draft Audit be approved

6. Property Manager Contract

   7. Adjournment

   8. Recommendation

   9. **THAT:** the July 29 2025 - Strathroy Caradoc Housing Corporation Meeting adjourn at _____.

Strathroy-Caradoc Housing Corporation
Financial Statements
December 31, 2024

Contents

For the year ended December 31, 2024

Independent Auditor's Report

To the Board of Strathroy-Caradoc Housing Corporation:

Opinion

We have audited the financial statements of Strathroy-Caradoc Housing Corporation (the "Corporation"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2024, and the results of its operations,, changes in its net debt 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 report. We are independent of the Corporation 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.

Emphasis of Matter - Comparative Information

As part of our audit of the financial statements of the Corporation for the year ended December 31, 2024, we also audited the adjustments described in Note 4 that were applied to restate the financial statements for the year ended December 31, 2023. In our opinion, such adjustments are appropriate and have been properly applied.

Other Matter

The financial statement for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on April 22, 2025.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 these 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 Corporation’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 Corporation’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 Corporation 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.

We 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.

London, Ontario

Chartered Professional Accountants

Licensed Public Accountants

Strathroy-Caradoc Housing Corporation
Statement of Financial Position
As at December 31, 2024

	2024	*2023 Restated*
Financial assets		
Cash *(Note 5)*	**620,839**	213,805
Accounts receivable *(Note 6)*	**1,277,164**	1,175,612
Holdback receivable	**362,270**	-
Total of assets	**2,260,273**	1,389,417
Liabilities		
Accounts payable and accruals *(Note 4)*	**146,405**	1,670,505
Due to the Municipality of of Strathroy-Caradoc *(Note 9)*	**3,100,000**	3,100,000
Long-term debt *(Note 8)*	**7,814,790**	4,919,349
Asset retirement obligations *(Note 10)*	**68,315**	66,322
Total of financial liabilities	**11,129,510**	9,756,176
Net debt	**(8,869,237)**	(8,366,759)
Non-financial assets		
Tangible capital assets *(Note 4), (Note 7)*	**11,396,130**	11,305,371
Prepaid expenses	**44,780**	-
Accumulated surplus *(Note 11)*	**2,571,673**	2,938,612

Approved on behalf of the Corporation

______________________________ **Director** ______________________________ **Director**

The accompanying notes are an integral part of these financial statements

Statement of Operations and Accumulated Operating Surplus

For the year ended December 31, 2024

	2024 Budget (Unaudited)	2024	2023
Revenue			
Market housing	**584,911**	**305,228**	119,009
Affordable housing	**149,536**	**125,176**	19,212
Interest income	**5,000**	**34,113**	10,323
Parking	**19,800**	**10,950**	-
Laundry	**7,850**	**6,925**	1,621
Storage lockers	**7,200**	**625**	-
Miscellaneous	**-**	**209**	-
	774,297	**483,226**	150,165
Expenses			
Interest on long-term debt	**54,131**	**338,157**	-
Amortization *(Note 7)*	**115,613**	**165,161**	-
Property management fee	**61,211**	**71,224**	6,930
Insurance	**43,000**	**64,731**	17,308
Property tax	**83,200**	**57,458**	30,084
Utilities	**47,000**	**45,677**	31,880
Professional fees	**41,873**	**39,873**	11,731
Repair and maintenance	**30,931**	**27,358**	12,515
Caretaking and general building	**25,180**	**19,574**	19,343
Real estate commissions	**-**	**9,275**	-
Other operating expenses	**3,500**	**8,744**	3,847
Interest and bank charges	**3,243**	**2,933**	2,185
	508,882	**850,165**	135,823
Excess (deficiency) of operating revenue over expenses	**265,415**	**(366,939)**	14,342
Other revenue			
Government grant	**-**	**-**	2,741,000
Annual surplus (deficit)	**265,415**	**(366,939)**	2,755,342
Accumulated surplus, beginning of year	**2,938,612**	**2,938,612**	183,270
Accumulated surplus, end of year	**3,204,027**	**2,571,673**	2,938,612

Strathroy-Caradoc Housing Corporation
Statement of Change in Net Debt
For the year ended December 31, 2024

	2024 Budget	***2024***	*2023 Restated*
Annual (deficit) surplus	**265,415**	**(366,939)**	2,755,342
Acquisition of tangible capital assets	**-**	**(255,920)**	(8,257,093)
Amortization of tangible capital assets	**115,613**	**165,161**	-
Increase in prepaid expenses	**-**	**(44,780)**	-
Increase in net debt	**381,028**	**(502,478)**	(5,501,751)
Net debt, beginning of year	**(8,366,759)**	**(8,366,759)**	(2,865,008)
Net debt, end of year	**(7,985,731)**	**(8,869,237)**	(8,366,759)

Strathroy-Caradoc Housing Corporation
Statement of Cash Flows
For the year ended December 31, 2024

	2024	2023
Operating activities		
Annual surplus (deficit)	**(366,939)**	2,755,342
Non-cash items		
Amortization	**165,161**	-
Asset retirement obligation accretion	**1,993**	1,933
	(199,785)	2,757,275
Changes in working capital accounts		
Accounts receivable	**(101,552)**	(1,173,030)
Prepaid expenses	**(44,780)**	-
Accounts payable and accruals	**(1,178,646)**	(1,306,315)
	(1,524,763)	277,930
Financing activities		
Holdback receivable	**(362,270)**	-
Advances of long-term debt	**2,933,913**	4,919,349
Long-term debt repayments	**(38,472)**	-
Advance from the Municipality of Strathroy-Caradoc	**-**	3,100,000
	2,533,171	8,019,349
Capital activities		
Purchases of tangible capital assets	**(601,374)**	(8,257,093)
Increase in cash	**407,034**	40,186
Cash, beginning of year	**213,805**	173,619
Cash, end of year	**620,839**	213,805

The accompanying notes are an integral part of these financial statements

1. Nature of operations

The Corporation is incorporated under the Laws of Ontario as a corporation without share capital and is controlled by the Municipality of Strathroy-Caradoc. The Corporation operates 59 units of non-profit housing accommodation using rent geared to income guidelines. The Corporation is a non-profit corporation and is exempt from income tax.

During the year, the Corporation changed its legal name to Strathroy-Caradoc Housing Corporation from Caradoc Housing Corporation.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Tangible capital assets

Tangible capital assets are initially recorded at cost less accumulated amortization. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital asset including transportation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year after it is capitalized. Buildings are amortized on a straight line basis over 35 years. Work in progress is not amortized until the asset is available for productive use, at which time it is capitalized.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Revenue recognition

The Corporation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Corporation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Interest income is recognized on the daily accrual basis.

Revenue from transactions with performance obligations is recognized when the Corporation satisfies a performance obligation by providing the promised goods or services to a payor. The performance obligation is evaluated as being satisfied either over a period of time or at a point in time.

The Corporation recognizes rent revenue when the rent is earned at the beginning of the month. Laundry, parking, storage lockers, and miscellaneous revenues are recognized when the services have been performed on an accrual basis.

In determining the transaction price, the Corporation measures revenue based on the consideration that is expected to receive in exchange for providing the goods and/or services.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenses during the reporting period.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known. Significant items subject to such estimates and assumptions include valuation allowances for receivables, accrued liabilities, the carrying value of tangible capital assets, and asset retirement obligations

2. Significant accounting policies *(Continued from previous page)*

Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Corporation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2024. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Corporation reviews the carrying amount of the liability. The Corporation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Corporation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has not made such an election during the year.

The Corporation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus (deficit) . Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses. As the Corporation has no applicable financial instruments recognized at fair value, the Corporation does not have a Statement of Remeasurement Gains and Losses.

Budget figures

The Board for the Corporation completes budget reviews for each building it operates each year. Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board (PSAB), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

2. Significant accounting policies *(Continued from previous page)*

Accumulated surplus

Accumulated surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

Related party transactions

Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is made when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the consolidated financial statements.

3. Change in accounting policy

Revenue

Effective January 1, 2024, the Corporation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of revenue under PS 3400 *Revenue*. The new standard establishes when to recognize and how to measure revenue, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, the Corporation recognized rental revenue when the rent was earned at the beginning of the month and other revenues on the accrual basis when it was earned. Under the new standard, revenue is differentiated between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions", as described in Note 2.

There was no material impact on the financial statements from the prospective application of the new accounting recommendations.

4. Correction of an error

During the year, the Corporation determined that there was a promissory note payable related to construction services rendered in the amount of $345,454. As such, the promissory note payable and tangible capital assets under construction were restated to reflect the missing transaction. For 2023 the impact of this correction has resulted in an increase accounts payable and accruals and an increase to tangible capital assets. There was no change to the accumulated surplus as a result.

5. Cash

The Corporation's bank accounts are held at one Canadian financial institution.

6. Accounts receivable

Included in accounts receivable is $1,210,632 (2023 - $1,174,150) of sales tax rebates that the Corporation expects to receive.The majority of the rebate relates to the new building additions. Should the Corporation be unsuccessful in its rebate application, the unrebated amount would be added to the cost of the building.

7. Tangible capital assets

	Cost	**Additions**	**Disposals**	**Accumulated amortization**	**2024 Net book value**
Land	**2**	**-**	**-**	**-**	**2**
Buildings	**538,713**	**11,561,289**	**-**	**703,874**	**11,396,128**
Assets under construction	**11,305,369**	**255,920**	**11,561,289**	**-**	**-**
	11,844,084	**11,817,209**	**11,561,289**	**703,874**	**11,396,130**

	Cost	*Additions*	*Disposals*	*Accumulated amortization*	*2023 Net book value*
Land	-	2	-	-	2
Buildings	538,713	-	-	538,713	-
Assets under construction	3,048,278	8,257,091	-	-	11,305,369
	3,586,991	8,257,093	-	538,713	11,305,371

Amortization expense of $165,161 (2023 - $Nil) was recorded in the statement of operations.

8. Long-term debt

	2024	*2023*
Mortgage payable, First National Financial LP, combined interest and principal payments of $31,614 monthly at 4.29% per annum, maturing March 2034	**7,814,790**	-
Mortgage payable, First National Financial LP, interest at cost of funds plus 2.4% per annum, variable monthly payment, matured July 2024	**-**	4,919,349
	7,814,790	4,919,349

Principal repayments on long-term debt in each of the next five years , assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal	Interest	Total
2025	47,999	331,369	379,368
2026	50,081	329,287	379,368
2027	52,252	327,116	379,368
2028	54,518	324,850	379,368
2029	56,882	322,486	379,368
	261,732	1,635,108	1,896,840
Thereafter	7,553,058	3,084,061	10,637,119

Interest on long-term debt amounted to $338,157 (2023 - $Nil)

The long-term debt is secured by real estate with a book value of $11,396,130 (2023 - $11,305,371) owned by the Corporation.

9. Related party transactions

At December 31, 2024, the Corporation owed $3,100,000 (2023 - $3,100,000) to The Corporation of the Municipality of Strathroy-Caradoc. The loan is non-interest bearing and due on demand with no specific terms of repayment. The Corporation is a controlled-entity of the municipality of Strathroy-Caradoc.

10. Asset retirement obligation

The Corporation recognized an asset retirement obligation related to the remediation required for asbestos present in one building. The Corporation recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of the building. The liability has been estimated using a net present value technique with a discount rate of 3%. The estimated total undiscounted future expenditure is $209,527, which is to be incurred over the remaining productive useful life of the building of 60 years. The liability is expected to be settled at the end of the buildings' productive useful life in 2082.

The carrying amount of the liability is as follows:

	2024	*2023*
Balance, beginning of year	**66,322**	64,389
Accretion	**1,993**	1,933
Balance, end of year	**68,315**	66,322

11. Accumulated surplus

Accumulated surplus consists of the following:

	2024	*2023*
Invested in tangible capital assets	**3,581,340**	6,040,568
Unfunded asset retirement obligation	**(68,315)**	(66,322)
Other	**(941,352)**	(3,035,634)
	2,571,673	2,938,612

12. Financial Instruments

The Corporation as part of its operations carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through the use of fixed rates on its liabilities.

The Corporation is exposed to interest rate risk with respect to it's mortgage payable with a fixed rate of 4.29% (2023 – cost of funds plus 2.40%), matures at the end of ten years (2023 – 1 year).

12. Financial Instruments *(Continued from previous page)*

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. The Corporation is exposed to credit risk through its cash and accounts receivable.

The Corporation's maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as presented on the statement of financial position. At year end, the amounts outstanding for the Corporation's accounts receivable are as follows:

	2024	*2023*
Current	**77,012**	1,094
31 to 60 days	**3,400**	-
Over 90 days	**1,196,752**	1,174,518
	1,277,164	1,175,612

There have not been any changes from the prior year in the Corporation's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Corporation enters into transactions to purchase goods and services on credit and to borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Corporation's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt are disclosed in Note 8.

The Corporation manages its liquidity risk by monitoring cash activities and expected outflows through budgeting.

The following table sets out the contractual maturities representing undiscounted contractual cash-flows of financial liabilities:

As at December 31, 2024:

	< 1 year	**1-2 years**	**> 3 years**	**Total**
Accounts payable	146,403	-	-	**146,403**
Long-term debt	47,999	50,081	7,716,710	**7,814,790**
Total	**194,402**	**50,081**	**7,716,710**	**7,961,193**

As at December 31, 2023:

	< 1 year	**1-2 years**	**> 3 years**	**Total**
Accounts payable	1,325,051	-	-	1,325,051
Long-term debt	27,073	204,850	4,687,426	4,919,349
Total	1,352,124	204,850	4,687,426	6,244,400

There have not been any changes from the prior year in the Corporation's exposure to liquidity risk or the policies, procedures and methods it uses to manage and measure the risk.