

Financial Statements of

**KINGSTON & FRONTENAC
HOUSING CORPORATION**

Year ended December 31, 2012

KINGSTON & FRONTENAC HOUSING CORPORATION

Financial Statements

Year ended December 31, 2012

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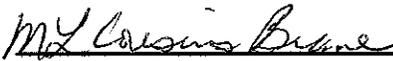
Management's Responsibility for the Financial Statements

The accompanying financial statements of Kingston and Frontenac Housing Corporation (the "Corporation") are the responsibility of the Corporation's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Corporation. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's financial statements.



Mary Lynn Cousins Brame
Chief Executive Officer



Dan Song
Finance & Administration Manager



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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of Kingston and Frontenac Housing Corporation

We have audited the accompanying financial statements of Kingston and Frontenac Housing Corporation ("the Corporation"), which comprise the statement of financial position as at December 31, 2012, the statements of operations and accumulated surplus, change in net financial debt and cash flows for the year then ended, and notes, comprising 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 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.

Auditors' 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 our 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, we consider 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 Kingston and Frontenac Housing Corporation as at December 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 25, 2013

Kingston, Canada

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011 (Restated, note 14)
Financial assets:		
Current assets:		
Cash and cash equivalents (note 4)	\$ 1,760,316	\$ 1,678,049
Rents receivable	56,224	64,895
Other receivables	348,973	415,637
Receivable from the Corporation of the City of Kingston - subsidy paid (note 6)	-	62,135
	<u>2,165,513</u>	<u>2,220,716</u>
Long-term investments (notes 2, 4 and 5)	972,890	1,906,274
	<u>3,138,403</u>	<u>4,126,990</u>
Financial liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	526,496	868,547
Accrued payroll and employee benefits	103,882	90,227
Current portion of long-term debt (note 3)	125,882	100,067
Prepaid rents	118,840	111,708
Deferred revenue	36,896	846,336
Subsidy paid in advance	187,500	709,281
Payable to the Corporation of the City of Kingston (note 6)	167,628	-
	<u>1,267,124</u>	<u>2,726,166</u>
Long-term debt (note 3)	5,074,976	4,624,174
	<u>6,342,100</u>	<u>7,350,340</u>
Net financial debt	(3,203,697)	(3,223,350)
Non-financial assets:		
Tangible capital assets (note 11)	43,663,362	40,712,193
Prepaid expenses	189,226	206,979
	<u>43,852,588</u>	<u>40,919,172</u>
Accumulated surplus	\$ 40,648,891	\$ 37,695,822

Contingent liabilities (note 6 and note 9)

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited, note 7)	2012 Total	2011 Total (Restated, note 14)
Revenue:			
Local housing subsidy (note 12)	\$ 4,305,459	\$ 4,143,249	\$ 4,107,938
Rents	3,050,423	3,060,046	2,932,164
Rent supplement	2,746,044	2,850,733	2,810,911
Government grants	—	2,596,456	1,151,992
Homelessness supplement	466,805	466,805	466,805
Province of Ontario grant	167,945	167,945	167,945
Non-rental revenue	96,315	139,816	102,434
Non-residential rents	116,839	116,737	114,326
Interest income	6,500	57,125	94,220
Land contributed from the Corporation of the City of Kingston (note 14)	—	—	180,000
Subsidiary adjustment prior year	—	—	(6,362)
	10,956,330	13,598,912	12,122,373
Expenses:			
Rent supplement program costs	3,212,849	3,317,538	3,277,716
Salaries and benefits	1,704,505	1,584,012	1,511,251
Municipal taxes	1,570,042	1,511,430	1,504,549
Maintenance expense	1,042,042	974,741	962,027
Utilities	836,002	780,768	760,724
Capital expenses	1,400,000	1,251,861	1,977,164
Amounts recognized as tangible capital assets	—	(873,907)	(1,573,742)
Professional services	221,490	299,741	246,588
Interest	282,437	259,582	255,956
Insurance	235,511	214,344	242,805
Administration services and expenses	166,922	154,987	143,580
Bad debts	30,350	62,795	25,381
	10,702,150	9,537,892	9,333,999
Excess of revenue over expenses	254,180	4,061,020	2,788,374
Amortization expense	225,381	1,107,951	995,246
Annual surplus	28,799	2,953,069	1,793,128
Accumulated surplus, beginning of year		37,695,822	35,902,694
Accumulated surplus, end of year (schedules 1 and 2)		\$ 40,648,891	\$ 37,695,822

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011 (Restated, note 14)
Annual surplus	\$ 2,953,069	\$ 1,793,128
Acquisition of tangible capital assets	(4,059,120)	(3,138,891)
Amortization of tangible capital assets	1,107,951	995,246
Change in prepaid expense	17,753	(29,883)
Net change in net financial assets	19,653	(380,400)
Net financial debt, beginning of year	(3,223,350)	(2,842,950)
Net financial debt, end of year	\$ (3,203,697)	\$ (3,223,350)

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
		(Restated, note 14)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,953,069	\$ 1,793,128
Amortization, which does not involve cash	1,107,951	995,246
	4,061,020	2,788,374
Change in non-cash assets and liabilities:		
Decrease (increase) in rents receivable	8,671	(19,144)
Decrease in other receivables	66,664	81,974
Decrease (increase) in prepaid expenses	17,753	(29,883)
Decrease in receivable from the Corporation of the City of Kingston	62,135	18,444
Increase (decrease) in accounts payable and accrued liabilities	(342,051)	156,691
Increase (decrease) in accrued payroll and employee benefits	13,655	(17,060)
Increase in prepaid rents	7,132	7,261
Increase (decrease) in deferred revenue	(809,440)	598,149
Increase (decrease) in subsidy paid in advance	(521,781)	224,185
Increase in payable to the Corporation of the City of Kingston	167,628	-
	(1,329,634)	1,020,617
	2,731,386	3,808,991
Capital activities:		
Cash used to acquire tangible capital assets	(4,059,120)	(3,138,891)
Financing activities:		
Principal repayment	(103,383)	(94,854)
Proceeds on long-term debt	580,000	-
	476,617	(94,854)
Investing activities:		
Decrease (increase) in investments	933,384	(94,951)
Net change in cash and cash equivalents	82,267	480,295
Cash and cash equivalents, beginning of year	1,678,049	1,197,754
Cash and cash equivalents, end of year	\$ 1,760,316	\$ 1,678,049

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2012

Kingston & Frontenac Housing Corporation (the "Corporation") was incorporated under the Corporations Act of Ontario on December 14, 2000. Its principal activity is the provision of socially-assisted housing.

These financial statements present the financial position and results of operation of Kingston & Frontenac Housing Corporation, which is a non-profit organization under the Income Tax Act and exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by Kingston & Frontenac Housing Corporation are as follows:

(a) Basis of accounting:

The Corporation follows the accrual method of accounting for revenue and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Funding arrangements:

Kingston & Frontenac Housing Corporation rent geared to income program is funded primarily by the Corporation of the City of Kingston as Consolidated Municipal Service Manager (the "Service Manager"), in accordance with budget arrangements formerly established by Ministry of Municipal Affairs and Housing and the Corporation of the City of Kingston. These financial statements reflect agreed arrangements approved by the Corporation of the City of Kingston with respect to the year ended December 31, 2012.

(c) Municipal rent geared to income program subsidy revenue:

The rent geared to income program operating subsidy is recognized based on the approved fiscal allocation by the Service Manager, and adjusted for estimated recoveries based on actual expenses incurred during the year. Subsidies may be adjusted by the Service Manager based on an annual reconciliation performed subsequent to year end. Any further adjustments will be recorded in the year of Service Manager approval.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(d) Long-term investments:

Long-term investments are recorded at their fair value. Realized investment income and unrealized gains or losses from the change in fair value are recorded in the capital reserve fund. Fair value is determined at quoted market prices. Transaction costs related to the acquisition of marketable securities are recorded as a reduction of investment income.

(e) Use of estimates:

The preparation of financial statements 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 period. Actual results could differ from those estimates.

(f) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

	Useful Life - Years
Land improvements	30
Buildings and building improvements	40

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(g) Cash and cash equivalents:

The Housing Corporation considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

2. Long-term investments:

The fair value of long-term investments as at December 31, 2012 is \$972,890 (2011 - \$1,906,274), with a portion of this amount relating to the Affordable Housing Project of \$81,714 (2011 - \$62,514).

3. Affordable housing program long-term debt:

	2011	2010
5.421% Mortgage payable in monthly blended instalments of \$29,240, due February 15, 2028	\$ 4,624,174	\$ 4,724,241
3.59% Mortgage payable in monthly blended instalments of \$3,390, due October 15, 2032	576,684	-
	5,200,858	4,724,241
Current portion of long-term debt	(125,882)	(100,067)
	<u>\$ 5,074,976</u>	<u>\$ 4,624,174</u>

The minimum scheduled principal repayments are as follows: 2013 - \$125,882; 2014 - \$132,424; 2015 - \$139,311; 2016 - \$146,563; 2017 - \$154,199; 2018 and thereafter \$4,502,479.

The mortgages are secured by the following:

- (i) a first charge on the lands and all real and immoveable property located thereon;
- (ii) a first general assignment of leases and rents; and
- (iii) a first general security agreement.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

4. Rent geared to income capital reserve fund:

In compliance with the Social Housing Reform Act, 2000 ("SHRA") section 93(1), a capital reserve fund is maintained for the purpose of funding major asset repairs and replacement and amounts are allocated to it as provided for in the Corporation's budget. The capital reserve fund cash balances are designated from cash balances available for current operations and interest earned on these funds and interest on reserve fund investments are returned to the capital reserve fund.

	2012	2011
Balance, beginning of year	\$ 896,906	\$ 990,230
Allocation from operations	1,400,000	1,400,000
Other grants	4,874	426,106
Expenses	(1,251,861)	(1,977,164)
	153,013	(151,058)
Investment income	22,385	39,433
Unrealized gain on investments	429	18,301
	22,814	57,734
Excess of revenue over expense	175,827	(93,324)
Balance, end of year	\$ 1,072,733	\$ 896,906

Cash and cash equivalents and long-term investments in the amount of \$891,176 (2011 - \$838,875) have been designated to support the rent geared to income capital reserve fund and have not been adjusted for year-end outstanding transfers of \$181,557 (2011 - \$58,031).

5. Affordable housing program reserve fund:

Under the terms of the National Housing Act ("NHA") insured mortgage loan to the Corporation, a capital replacement reserve fund was established to ensure funds are available to carry out capital replacements for the affordable housing project. An amount of at least 2.65% of the actual effective annual gross income of the affordable housing component is to be deposited in a segregated bank account identified for its intended purpose. Other transfers from the affordable housing program will be completed upon approval of the Board of Directors.

	2012	2011
Balance, beginning of year	\$ 62,514	\$ 45,411
Net transfer to/from operations	19,200	17,103
Balance, end of year	\$ 81,714	\$ 62,514

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

6. Municipal subsidy payable/receivable:

Municipal subsidy revenue is subject to review by the Service Manager after the financial statements and annual reporting requirements have been submitted for the year, however, an estimate of subsidy to be recovered/paid is reported as a payable to/receivable from the Service Manager at year end based on actual expenses incurred during the year.

Revenue, municipal subsidy receivable/payable and operating surplus may change depending upon final review and approval by the Service Manager. Any additional year end adjustment resulting from this review will be reflected in the year of Service Manager approval.

An amount payable to the Corporation of the City of Kingston of \$167,628 (2011 - receivable of \$62,135) has been reported on the statement of financial position with respect to an estimate of the balance of subsidy revenue to be paid to the Service Manager as follows:

	Operating	Rent Supplement	2012	2011
Subsidy advances received	\$ 4,305,459	\$ 3,310,872	\$ 7,616,331	\$ 7,397,739
Allowable expenses	4,143,249	3,317,538	7,460,787	7,385,655
Payable to (receivable from) the Corporation of the City of Kingston	162,210	(6,666)	155,544	12,084
Prior year payment (repayment) of subsidy	74,219	—	74,219	6,360
Beginning balance of subsidy payable (receivable)	(94,849)	32,714	(62,135)	(80,579)
	\$ 141,580	\$ 26,048	\$ 167,628	\$ (62,135)

7. Budget figures:

The Corporation reviews the operating and capital budgets annually. The budget figures are reflected in the statement of operations and accumulated surplus and have not been audited and are provided for information purposes only.

Amortization, based on the implementation of tangible capital assets, was not contemplated on development of the budget and, as such, amortization on the rent geared to income program has not been included.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

8. Pension agreements:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of 22 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2012 was \$94,702 (2011 - \$92,579) for current service and is included as an expense on the statement of operations and accumulated surplus.

9. Contingent liabilities:

The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2012, management believes that the Corporation has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Corporation's financial position.

10. Fair value of financial instruments:

The carrying values of cash and cash equivalents, rents receivable, other receivables, accounts payable and accrued liabilities and accrued payroll and employee benefits approximate their fair values due to the expected short term maturity of these instruments.

The carrying value of long-term investments is their fair value.

The fair value of amounts payable to (receivable from) the Corporation of the City of Kingston cannot be determined in the absence of current market comparables due to the non-arms' length nature of the arrangement.

The fair value of the long-term debt cannot be determined due to the special nature of the underlying security and the absence of market comparables.

11. Tangible capital assets:

(a) Assets under construction:

The balance of assets under construction in 2012 is \$Nil (2011 - \$1,425,886).

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

11. Tangible capital assets (continued):

(b) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

Cost	Balance December 31, 2011	Additions	Dispositions	Balance December 31, 2012
Land - Rent Geared to Income	\$ 10,263,290	\$ -	\$ -	\$ 10,263,290
Land - Queen Mary Road	180,000	-	-	180,000
Land - Van Order Drive	342,000	-	-	342,000
Land improvement - Rent Geared to Income	2,055,255	149,100	-	2,204,355
Land improvement - Queen Mary Road	-	114,950	-	114,950
Land improvement - Van Order Drive	120,630	-	-	120,630
Building - Rent Geared to Income	27,227,445	724,807	-	27,952,252
Building - Queen Mary Road	-	4,496,149	-	4,496,149
Building - Van Order Drive	7,400,877	-	-	7,400,877
Assets under construction	1,425,886	-	1,425,886	-
	\$ 49,015,383	\$ 5,485,006	\$ 1,425,886	\$ 53,074,503

Accumulated amortization	Balance December 31, 2011	Disposals	Amortization	Balance December 31, 2012
Land improvement - Rent Geared to Income	\$ 494,240	\$ -	\$ 73,478	\$ 567,718
Land improvement - Queen Mary Road	-	-	1,597	1,597
Land improvement - Van Order Drive	16,084	-	4,021	20,105
Building - Rent Geared to Income	7,035,311	-	787,350	7,822,661
Building - Queen Mary Road	-	-	48,095	48,095
Building - Van Order Drive	757,555	-	193,410	950,965
	\$ 8,303,190	\$ -	\$ 1,107,951	\$ 9,411,141

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

11. Tangible capital assets (continued):

(b) Tangible capital assets disclosed at nominal values:

	Net book value December 31, 2011	Net book value December 31, 2012
Land - Rent Geared to Income	\$ 10,263,290	\$ 10,263,290
Land - Queen Mary Road	180,000	180,000
Land - Van Order Drive	342,000	342,000
Land improvement - Rent Geared to Income	1,561,015	1,636,637
Land improvement - Queen Mary Road	-	113,353
Land improvement - Van Order Drive	104,546	100,525
Building - Rent Geared to Income	20,192,134	20,129,591
Building - Queen Mary Road	-	4,448,054
Building - Van Order Drive	6,643,322	6,449,912
Assets under construction	1,425,886	-
	\$ 40,712,193	\$ 43,663,362

12. Local housing subsidy:

Rent supplement administration subsidy of \$159,328 received from the Corporation of the City of Kingston was included with the 2012 local housing subsidy.

13. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

14. Correction of an error:

The Corporation made adjustments to the 2011 comparative figures as follows:

In 2011, revenue and land were understated by \$180,000 as the Corporation did not record the Corporation of the City of Kingston's contribution of land when physically received.

The Corporation received the assessment of land value from the Municipal Property Assessment Corporation in 2012 and has retroactively recorded the contribution in accordance with the Corporations' accounting policies.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

14. Correction of an error (continued):

The above adjustment resulted in the following changes to the 2011 comparative financial statements:

	Increase (Decrease)
Statement of financial position:	
Land – Affordable Housing – Queen Mary Road	\$ 180,000
Statement of operations and accumulated surplus:	
Land contribution from the Corporation of the City of Kingston	180,000

KINGSTON & FRONTENAC HOUSING CORPORATION

Schedule 1 – Rent Geared to Income Program Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited, note 7)	2012 Total	2011 Total
Revenue:			
Rents	\$ 2,600,000	\$ 2,608,709	\$ 2,573,629
Government grants	–	4,874	426,106
Local housing subsidy (note 12)	4,305,459	4,143,249	4,107,938
Rent supplement	2,746,044	2,850,733	2,810,911
Homelessness supplement	466,805	466,805	466,805
Non-rental revenue	75,000	124,821	89,682
Interest income	–	36,864	67,389
Subsidiary adjustment prior year	–	–	(6,362)
	10,193,308	10,236,055	10,536,098
Expenses:			
Salaries and benefits	1,646,908	1,526,533	1,464,947
Maintenance expense	1,001,009	920,144	928,317
Utilities	765,963	699,187	701,078
Professional services	221,490	299,741	208,109
Insurance	223,992	201,600	233,544
Administration services and expenses	164,122	153,274	180,352
Bad debts	30,350	62,795	25,381
Municipal taxes	1,526,625	1,469,845	1,472,159
Rent supplement program costs	3,212,849	3,317,538	3,277,716
Capital expenses	1,400,000	1,251,861	1,977,164
Amounts recognized as tangible capital assets	–	(873,907)	(1,573,742)
	10,193,308	9,028,611	8,895,025
Excess of revenue over expenses	–	1,207,444	1,641,073
Amortization expense		860,828	801,836
Annual surplus		346,616	839,237
Accumulated surplus, beginning of year		33,040,739	32,201,502
Accumulated surplus, end of year		\$ 33,387,355	\$ 33,040,739
Analyzed as follows:			
Operating surplus (including 100 common shares for \$10)		\$ 285,104	\$ 127,394
Invested in tangible capital assets		32,029,518	32,016,439
Reserve Fund (note 4)		1,072,733	896,906
Accumulated surplus, end of year		\$ 33,387,355	\$ 33,040,739

KINGSTON & FRONTENAC HOUSING CORPORATION

Schedule 2 – Affordable Housing Program Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited, note 7)	2012 Total	2011 Total (Restated, note 14)
Revenue:			
Rents	\$ 450,423	\$ 451,337	\$ 358,535
Non-residential rents	116,839	116,737	114,326
Government grants	–	2,591,582	725,886
Non-rental revenue	21,315	14,995	12,752
Province of Ontario grant	167,945	167,945	167,945
Interest income	6,500	20,261	26,831
Land contributed by City of Kingston	–	–	180,000
	763,022	3,362,857	1,586,275
Expenses:			
Salaries and benefits	57,597	57,479	46,304
Maintenance expense	41,033	54,597	33,710
Utilities	70,039	81,581	59,646
Professional services	–	–	1,481
Insurance	11,519	12,744	9,261
Administration services and expenses	2,800	1,713	226
Interest costs	282,437	259,582	255,956
Municipal taxes	43,417	41,585	32,390
	508,842	509,281	438,974
Excess of revenue over expenses	254,180	2,853,576	1,147,301
Amortization expense	225,381	247,123	193,410
Annual surplus	28,799	2,606,453	953,891
Accumulated surplus, beginning of year		4,655,083	3,701,192
Accumulated surplus, end of year		\$ 7,261,536	\$ 4,655,083
Analyzed as follows:			
Operating surplus		\$ 362,117	\$ 300,898
Invested in tangible capital assets:			
Tangible capital assets		11,633,843	8,695,754
Long-term debt		(5,200,858)	(4,724,241)
Capital financing		384,720	320,158
		6,817,705	4,291,671
Reserve Fund (note 5)		81,714	62,514
		\$ 7,261,536	\$ 4,655,083