

Financial Statements of

**KINGSTON & FRONTENAC
HOUSING CORPORATION**

Year ended December 31, 2013

KINGSTON & FRONTENAC HOUSING CORPORATION

Financial Statements

Year ended December 31, 2013

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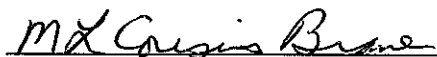
Management's Responsibility for the Financial Statements

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, 2013, 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, 2013, 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 Professional Accountants, Licensed Public Accountants

March 31, 2014

Kingston, Canada

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial assets:		
Current assets:		
Cash and cash equivalents (note 4)	\$ 2,474,925	\$ 1,760,316
Rents receivable	48,542	56,224
Other receivables	157,712	348,973
Receivable from the Corporation of the City of Kingston - subsidy paid (note 6)	12,375	-
	<u>2,693,554</u>	<u>2,165,513</u>
Long-term investments (notes 2, 4 and 5)	1,191,288	972,890
	<u>3,884,842</u>	<u>3,138,403</u>
Financial liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	590,003	526,496
Accrued payroll and employee benefits	115,811	103,882
Current portion of long-term debt (note 3)	132,424	125,882
Prepaid rents	140,168	118,840
Deferred revenue	37,014	36,896
Subsidy paid in advance	691,985	187,500
Payable to the Corporation of the City of Kingston (note 6)	-	167,628
	<u>1,707,405</u>	<u>1,267,124</u>
Long-term debt (note 3)	4,942,552	5,074,976
	<u>6,649,957</u>	<u>6,342,100</u>
Net financial debt	(2,765,115)	(3,203,697)
Non-financial assets:		
Tangible capital assets (note 11)	43,360,195	43,663,362
Prepaid expenses	167,350	189,226
	<u>43,527,545</u>	<u>43,852,588</u>
Accumulated surplus	<u>\$ 40,762,430</u>	<u>\$ 40,648,891</u>

Contingent liabilities (note 6 and note 9)

See accompanying notes to financial statements.

On behalf of the Board:

Karen S. Pagnatis Director

[Signature] Director

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget (note 7)	2013 Total	2012 Total
Revenue:			
Local housing subsidy (note 12)	\$ 4,285,737	\$ 4,266,264	\$ 4,143,249
Rents	3,198,963	3,182,350	3,060,046
Rent supplement	2,746,044	2,936,707	2,850,733
Government grants	—	—	2,596,456
Homelessness supplement	466,805	466,805	466,805
Province of Ontario grant	167,945	167,945	167,945
Non-rental revenue	90,196	157,466	139,816
Non-residential rents	118,185	118,185	116,737
Interest income	16,576	25,505	57,125
Cost sharing allocation	118,453	—	—
	11,208,904	11,321,227	13,598,912
Expenses:			
Rent supplement program costs	3,212,849	3,403,512	3,317,538
Salaries and benefits	1,805,399	1,693,863	1,584,012
Municipal taxes	1,572,766	1,583,138	1,511,430
Maintenance expense	1,017,836	999,042	974,741
Utilities	867,061	835,928	780,768
Capital expenses	1,400,000	1,398,405	1,251,861
Amounts recognized as tangible capital assets	—	(927,812)	(873,907)
Professional services	219,969	246,041	299,741
Interest	277,158	274,491	259,582
Insurance	222,861	264,591	214,344
Administration services and expenses	161,365	155,522	154,987
Bad debts	30,726	49,988	62,795
	10,787,990	9,976,709	9,537,892
Excess of revenue over expenses	420,914	1,344,518	4,061,020
Amortization expense	193,410	1,230,979	1,107,951
Annual surplus	227,504	113,539	2,953,069
Accumulated surplus, beginning of year		40,648,891	37,695,822
Accumulated surplus, end of year (schedules 1 and 2)		\$ 40,762,430	\$ 40,648,891

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Annual surplus	\$ 113,539	\$ 2,953,069
Acquisition of tangible capital assets	(927,812)	(4,059,120)
Amortization of tangible capital assets	1,230,979	1,107,951
Change in prepaid expense	21,876	17,753
Net change in net financial assets	438,582	19,653
Net financial debt, beginning of year	(3,203,697)	(3,223,350)
Net financial debt, end of year	\$ (2,765,115)	\$ (3,203,697)

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 113,539	\$ 2,953,069
Amortization, which does not involve cash	1,230,979	1,107,951
	<u>1,344,518</u>	<u>4,061,020</u>
Change in non-cash assets and liabilities:		
Decrease in rents receivable	7,682	8,671
Decrease in other receivables	191,261	66,664
Decrease in prepaid expenses	21,876	17,753
Decrease (increase) in receivable from the Corporation of the City of Kingston	(12,375)	62,135
Increase (decrease) in accounts payable and accrued liabilities	63,507	(342,051)
Increase in accrued payroll and employee benefits	11,929	13,655
Increase in prepaid rents	21,328	7,132
Increase (decrease) in deferred revenue	118	(809,440)
Increase (decrease) in subsidy paid in advance	504,485	(521,781)
Increase (decrease) in payable to the Corporation of the City of Kingston	(167,628)	167,628
	<u>642,183</u>	<u>(1,329,634)</u>
	<u>1,986,701</u>	<u>2,731,386</u>
Capital activities:		
Cash used to acquire tangible capital assets	(927,812)	(4,059,120)
Financing activities:		
Principal repayment	(125,882)	(103,383)
Proceeds on long-term debt	-	580,000
	<u>(125,882)</u>	<u>476,617</u>
Investing activities:		
Decrease (increase) in investments	(218,398)	933,384
Net change in cash and cash equivalents	714,609	82,267
Cash and cash equivalents, beginning of year	1,760,316	1,678,049
Cash and cash equivalents, end of year	<u>\$ 2,474,925</u>	<u>\$ 1,760,316</u>

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2013

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, 2013.

(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, 2013

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, 2013

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, 2013 is \$1,191,288 (2012 - \$972,890), with a portion of this amount relating to the Affordable Housing Project of \$101,114 (2012 - \$81,714).

3. Affordable housing program long-term debt:

	2013	2012
5.421% Mortgage payable in monthly blended instalments of \$29,240, due February 15, 2028	\$ 4,518,609	\$ 4,624,174
3.59% Mortgage payable in monthly blended instalments of \$3,390, due October 15, 2032	556,367	576,684
	5,074,976	5,200,858
Current portion of long-term debt	(132,424)	(125,882)
	\$ 4,942,552	\$ 5,074,976

The minimum scheduled principal repayments are as follows: 2014 - \$132,424; 2015 - \$139,311; 2016 - \$146,563; 2017 - \$154,199; 2018 - \$162,238 and thereafter \$4,340,241.

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, 2013

4. Rent geared to income capital reserve fund:

In compliance with the Housing Services Act ("HSA"), sections 27(3) and 124(b), 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.

	2013	2012
Balance, beginning of year	\$ 1,072,733	\$ 896,906
Allocation from operations	1,400,000	1,400,000
Other grants	-	4,874
Expenses	(1,398,405)	(1,251,861)
	1,595	153,013
Investment income	26,405	22,385
Unrealized gain (loss) on investments	(37,507)	429
	(11,102)	22,814
Excess of revenue over expense (expense over revenue)	(9,507)	175,827
Balance, end of year	\$ 1,063,226	\$ 1,072,733

Cash and cash equivalents and long-term investments in the amount of \$1,090,174 (2012 - \$891,176) have been designated to support the rent geared to income capital reserve fund and have not been adjusted for year-end outstanding transfers of \$26,948 (2012 - \$181,557).

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.

	2013	2012
Balance, beginning of year	\$ 81,714	\$ 62,514
Net transfer to/from operations	19,400	19,200
Balance, end of year	\$ 101,114	\$ 81,714

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

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 receivable from the Corporation of the City of Kingston of \$12,375 (2012 - payable of \$167,628) 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	2013	2012
Subsidy advances received	\$ 4,285,736	\$ 3,371,666	\$ 7,657,402	\$ 7,616,331
Allowable expenses	4,266,264	3,403,513	7,669,777	7,460,787
Payable to (receivable from) the Corporation of the City of Kingston	19,472	(31,847)	(12,375)	155,544
Prior year payment (repayment) of subsidy	(141,580)	(26,048)	(167,628)	74,219
Beginning balance of subsidy payable (receivable)	141,580	26,048	167,628	(62,135)
	\$ 19,472	\$ (31,847)	\$ (12,375)	\$ 167,628

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.

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, 2013

8. Pension agreements:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of 20 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 2013 was \$107,910 (2012 - \$94,702) 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, 2013, 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.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

11. Tangible capital assets:

(a) Assets under construction:

The balance of assets under construction in 2013 is \$Nil (2012 - \$ Nil).

(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, 2012	Additions	Dispositions	Balance December 31, 2013
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	2,204,355	-	-	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	27,952,252	927,812	-	28,880,064
Building - Queen Mary Road	4,496,149	-	-	4,496,149
Building - Van Order Drive	7,400,877	-	-	7,400,877
	\$ 53,074,503	\$ 927,812	\$ -	\$ 54,002,315

Accumulated amortization	Balance December 31, 2012	Disposals	Amortization	Balance December 31, 2013
Land improvement - Rent Geared to Income	\$ 567,718	\$ -	\$ 73,478	\$ 641,196
Land improvement - Queen Mary Road	1,597	-	3,832	5,429
Land improvement - Van Order Drive	20,105	-	4,021	24,126
Building - Rent Geared to Income	7,822,661	-	847,855	8,670,516
Building - Queen Mary Road	48,095	-	112,404	160,499
Building - Van Order Drive	950,965	-	189,389	1,140,354
	\$ 9,411,141	\$ -	\$ 1,230,979	\$ 10,642,120

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

11. Tangible capital assets (continued):

(b) Tangible capital assets disclosed at nominal values:

	Net book value December 31, 2012	Net book value December 31, 2013
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	1,636,637	1,563,159
Land improvement - Queen Mary Road	113,353	109,521
Land improvement - Van Order Drive	100,525	96,504
Building - Rent Geared to Income	20,129,591	20,209,548
Building - Queen Mary Road	4,448,054	4,335,650
Building - Van Order Drive	6,449,912	6,260,523
	\$ 43,663,362	\$ 43,360,195

12. Local housing subsidy:

Rent supplement administration subsidy of \$161,303 received from the Corporation of the City of Kingston was included with the 2013 local housing subsidy.

KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget (note 7)	2013 Total	2012 Total
Revenue:			
Rents	\$ 2,611,398	\$ 2,599,871	\$ 2,608,709
Government grants	–	–	4,874
Local housing subsidy (note 12)	4,285,737	4,266,264	4,143,249
Rent supplement	2,746,044	2,936,707	2,850,733
Homelessness supplement	466,805	466,805	466,805
Non-rental revenue	72,000	136,358	124,821
Interest income	3,000	5,552	36,864
Cost sharing allocation	118,453	–	–
	10,303,437	10,411,557	10,236,055
Expenses:			
Salaries and benefits	1,720,845	1,668,095	1,526,533
Maintenance expense	950,954	933,016	920,144
Utilities	768,759	726,286	699,187
Professional services	217,949	244,021	299,741
Insurance	208,055	239,785	201,600
Administration services and expenses	161,033	154,012	153,274
Bad debts	30,726	49,941	62,795
Municipal taxes	1,513,814	1,513,385	1,469,845
Rent supplement program costs	3,212,849	3,403,512	3,317,538
Capital expenses	1,400,000	1,398,405	1,251,861
Amounts recognized as tangible capital assets	–	(927,812)	(873,907)
	10,184,984	9,402,646	9,028,611
Excess of revenue over expenses	118,453	1,008,911	1,207,444
Amortization expense		921,333	860,828
Annual surplus		87,578	346,616
Accumulated surplus, beginning of year		33,387,355	33,040,739
Accumulated surplus, end of year		\$ 33,474,933	\$ 33,387,355
Analyzed as follows:			
Operating surplus (including 100 common shares for \$10)		\$ 375,710	\$ 285,104
Invested in tangible capital assets		32,035,997	32,029,518
Reserve Fund (note 4)		1,063,226	1,072,733
Accumulated surplus, end of year		\$ 33,474,933	\$ 33,387,355

KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget (note 7)	2013 Total	2012 Total
Revenue:			
Rents	\$ 587,565	\$ 582,479	\$ 451,337
Non-residential rents	118,185	118,185	116,737
Government grants	—	—	2,591,582
Non-rental revenue	18,196	21,108	14,995
Province of Ontario grant	167,945	167,945	167,945
Interest income	13,576	19,953	20,261
	905,467	909,670	3,362,857
Expenses:			
Salaries and benefits	84,554	25,768	57,479
Maintenance expense	66,882	66,026	54,597
Utilities	98,302	109,642	81,581
Professional services	2,020	2,020	—
Insurance	14,806	24,806	12,744
Administration services and expenses	332	1,510	1,713
Interest costs	277,158	274,491	259,582
Municipal taxes	58,952	69,753	41,585
Bad debts	—	47	—
	603,006	574,063	509,281
Excess of revenue over expenses	302,461	335,607	2,853,576
Amortization expense	193,410	309,646	247,123
Annual surplus	109,051	25,961	2,606,453
Accumulated surplus, beginning of year		7,261,536	4,655,083
Accumulated surplus, end of year		\$ 7,287,497	\$ 7,261,536
Analyzed as follows:			
Operating surplus		\$ 510,379	\$ 362,117
Invested in tangible capital assets:			
Tangible capital assets		11,324,198	11,633,843
Long-term debt		(5,074,976)	(5,200,858)
Capital financing		426,782	384,720
		6,676,004	6,817,705
Reserve Fund (note 5)		101,114	81,714
		\$ 7,287,497	\$ 7,261,536

