

Financial Statements of

**KINGSTON & FRONTENAC  
HOUSING CORPORATION**

Year ended December 31, 2016

# KINGSTON & FRONTENAC HOUSING CORPORATION

Financial Statements

Year ended December 31, 2016

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

The accompanying financial statements of Kingston & 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.

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Mary Lynn Cousins Brame  
Chief Executive Officer

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Dan Song  
Finance & Administration Manager



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Kingston & Frontenac Housing Corporation, which comprise the statement of financial position as at December 31, 2016, 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 & Frontenac Housing Corporation as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small arrowhead pointing to the right.

Chartered Professional Accountants, Licensed Public Accountants

March 27, 2017

Kingston, Canada

# KINGSTON & FRONTENAC HOUSING CORPORATION

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Current assets:		
Cash	\$ 2,398,513	\$ 3,606,681
Rents receivable	10,345	10,430
Other receivables	463,661	283,493
	<u>2,872,519</u>	<u>3,900,604</u>
Long-term investments (notes 2, 4 and 5)	1,377,826	1,314,847
	<u>4,250,345</u>	<u>5,215,451</u>
Financial liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	611,743	1,106,975
Accrued payroll and employee benefits	152,495	128,868
Current portion of long-term debt (note 3)	218,014	146,563
Prepaid rents	181,022	154,499
Deferred revenue	45,503	45,159
Subsidy paid in advance	678,365	688,989
Payable to the Corporation of the City of Kingston (note 6)	63,257	107,814
	<u>1,950,399</u>	<u>2,378,867</u>
Long-term debt (note 3)	6,236,664	4,656,678
	<u>8,187,063</u>	<u>7,035,545</u>
Net financial debt	(3,936,718)	(1,820,094)
Non-financial assets:		
Tangible capital assets (note 11)	46,419,007	43,803,176
Prepaid expenses	220,213	252,696
	<u>46,639,220</u>	<u>44,055,872</u>
Contingent liabilities (notes 6 and 9)		
Accumulated surplus	\$ 42,702,502	\$ 42,235,778

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, 2016, with comparative information for 2015

	2016 Budget (note 7)	2016 Total	2015 Total
<b>Revenue:</b>			
Local housing subsidy (note 12)	\$ 4,577,490	\$ 4,546,959	\$ 4,512,680
Rents	3,209,528	3,225,587	3,114,260
Rent supplement	3,224,148	3,097,005	3,046,771
Homelessness supplement	466,805	466,805	466,805
Province of Ontario grant	168,000	167,945	167,945
Non-rental revenue	144,103	179,663	175,122
Government grants	–	42,791	–
Interest income	21,860	41,601	60,122
	<u>11,811,934</u>	<u>11,768,356</u>	<u>11,543,705</u>
<b>Expenses:</b>			
Rent supplement program costs	3,690,953	3,563,810	3,513,576
Salaries and benefits	1,908,617	1,816,105	1,830,976
Municipal taxes	1,700,161	1,662,826	1,645,620
Maintenance expense	981,345	973,268	943,054
Utilities	966,218	951,231	883,309
Capital expenses	1,371,492	1,808,391	1,422,593
Amounts recognized as tangible capital assets	(1,000,000)	(1,572,471)	(958,655)
Professional services	95,970	184,875	130,175
Interest	263,537	245,283	252,188
Insurance	247,182	214,359	231,729
Administration services and expenses	152,183	173,649	149,082
Bad debts (recovery)	31,030	522	(114)
	<u>10,408,688</u>	<u>10,021,848</u>	<u>10,043,533</u>
Excess of revenue over expenses	1,403,246	1,746,508	1,500,172
Amortization expense	1,350,154	1,434,607	1,344,711
Subsidy adjustment (note 6)	–	38,004	–
Loss on sale of tangible capital assets (note 13(a))	–	–	607,021
Government grant (note 13(b))	–	(192,827)	(1,607,173)
	<u>1,350,154</u>	<u>1,279,784</u>	<u>344,559</u>
Annual surplus	53,092	466,724	1,155,613
Accumulated surplus, beginning of year		42,235,778	41,080,165
Accumulated surplus, end of year (schedules 1 and 2)		<u>\$ 42,702,502</u>	<u>\$ 42,235,778</u>

See accompanying notes to financial statements.

# KINGSTON & FRONTENAC HOUSING CORPORATION

## Statement of Change in Net Financial Debt

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 466,724	\$ 1,155,613
Acquisition of tangible capital assets	(4,050,438)	(3,136,433)
Amortization of tangible capital assets	1,434,607	1,344,711
Loss on sale of tangible capital assets	-	607,021
Proceeds on sale of tangible capital assets	-	498,795
Change in prepaid expenses	32,483	(48,745)
Net change in net financial assets	(2,116,624)	420,962
Net financial debt, beginning of year	(1,820,094)	(2,241,056)
Net financial debt, end of year	\$ (3,936,718)	\$ (1,820,094)

See accompanying notes to financial statements.



# KINGSTON & FRONTENAC HOUSING CORPORATION

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 466,724	\$ 1,155,613
Loss on sale of tangible capital assets	-	607,021
Amortization, which does not involve cash	1,434,607	1,344,711
	<u>1,901,331</u>	<u>3,107,345</u>
Change in non-cash assets and liabilities:		
Rents receivable	85	27,496
Other receivables	(180,168)	(136,922)
Prepaid expenses	32,483	(48,745)
Receivable from the Corporation of the City of Kingston	-	66,522
Accounts payable and accrued liabilities	(495,232)	509,422
Accrued payroll and employee benefits	23,627	4,029
Prepaid rents	26,523	19,952
Deferred revenue	344	(2,212)
Subsidy paid in advance	(10,624)	(17,844)
Payable to the Corporation of the City of Kingston	(44,557)	107,814
	<u>(647,519)</u>	<u>529,512</u>
	<u>1,253,812</u>	<u>3,636,857</u>
Capital activities:		
Cash used to acquire tangible capital assets	(4,050,438)	(3,136,433)
Proceeds on sale of tangible capital assets	-	498,795
	<u>(4,050,438)</u>	<u>(2,637,638)</u>
Financing activities:		
Proceeds of long-term debt	1,798,009	-
Principal repayment of long-term debt	(146,572)	(139,311)
	<u>1,651,437</u>	<u>(139,311)</u>
Investing activities:		
Increase in long-term investments	(62,979)	(54,884)
Increase (decrease) in cash	<u>(1,208,168)</u>	<u>805,024</u>
Cash, beginning of year	3,606,681	2,801,657
Cash, end of year	<u>\$ 2,398,513</u>	<u>\$ 3,606,681</u>

See accompanying notes to financial statements.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

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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 (Canada) and exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) 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, 2016.

### (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.

### (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 as revenue in the period earned. Fair value is determined at quoted market prices. Transaction costs related to the acquisition of long-term investments are recorded as a reduction of investment income.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (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	15 to 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.

### (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) Government transfers:

Government transfers are the transfer of monetary assets or tangible capital assets from other levels of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 1. Significant accounting policies (continued):

### (g) Government transfers (continued):

The Corporation receives government transfers from the federal, provincial and municipal governments to fund operating and capital expenditures. These transfers to the Corporation are recognized as revenues when the transfers are authorized and all of the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

## 2. Long-term investments:

The fair value of long-term investments as at December 31, 2016 is \$1,377,826 (2015 - \$1,314,847), with a portion of this amount relating to the Affordable Housing Project of \$182,882 (2015 - \$146,614).

## 3. Affordable housing program long-term debt:

	2016	2015
5.421% Mortgage payable in monthly blended instalments of \$29,240, due February 15, 2028	\$ 4,165,820	\$ 4,289,760
3.59% Mortgage payable in monthly blended instalments of \$3,390, due October 15, 2032	490,858	513,481
3.41% Mortgage payable in monthly blended instalments of \$10,345, due December 20, 2036	1,798,000	-
	<u>6,454,678</u>	<u>4,803,241</u>
Current portion of long-term debt	(218,014)	(146,563)
	<u>\$ 6,236,664</u>	<u>\$ 4,656,678</u>

The minimum scheduled principal repayments are as follows: 2017 - \$218,014; 2018 - \$228,265; 2019 - \$239,017; 2020 - \$250,299; 2021 - \$262,135; and thereafter - \$5,256,948.

The mortgages are secured by the following:

- (i) a first charge on the lands and all real and immovable 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, 2016

#### 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.

	2016	2015
Balance, beginning of year	\$ 1,178,210	\$ 1,191,858
Allocation from operations	1,371,492	1,378,261
Capital grant funding	42,791	-
Expenses	(1,855,079)	(1,422,593)
	(440,796)	(44,332)
Investment income	38,112	60,122
Unrealized loss on investments	(21,378)	(29,438)
	16,734	30,684
Excess of expense over revenue	(424,062)	(13,648)
Balance, end of year	\$ 754,148	\$ 1,178,210

Long-term investments in the amount of \$1,194,944 (2015 - \$1,168,233) have been designated to support the rent geared to income capital reserve fund and have not been adjusted for year-end outstanding transfers out of \$440,796 (2015 - transfers in of \$9,977).

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 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.

	2016	2015
Balance, beginning of year	\$ 146,614	\$ 122,414
Net transfer from operations	34,834	24,200
Interest earned	1,434	—
Balance, end of year	\$ 182,882	\$ 146,614

## 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.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 6. Municipal subsidy payable/receivable (continued):

An amount payable to the Corporation of the City of Kingston of \$63,257 (2015 - \$107,814) 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	2016	2015
Subsidy advances received	\$ 4,577,488	\$ 3,539,838	\$ 8,117,326	\$ 8,134,070
Allowable expenses	4,546,959	3,563,810	8,110,769	8,026,256
Payable to (receivable from) the Corporation of the City of Kingston	30,529	(23,972)	6,557	107,814
Prior year subsidy adjustment	38,004	–	38,004	–
Prior year payment of subsidy	(9,853)	(79,265)	(89,118)	66,522
Beginning balance of subsidy payable (receivable)	28,549	79,265	107,814	(66,522)
Ending balance of subsidy payable (receivable)	\$ 87,229	\$ (23,972)	\$ 63,257	\$ 107,814

## 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.

Approved budget figures have been reclassified and adjusted for the purposes of these financial statements to comply with Public Sector Accounting Board (“PSAB”) reporting requirements.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 8. Pension agreements:

The Corporation makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS) which is a multi-employer plan, on behalf of 24 members of its staff. The plan is a contributory 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. Since any surpluses or deficits are a joint responsibility of all Ontario employers and their employees, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The amount contributed to OMERS for 2016 was \$128,273 (2015 - \$126,998) for current service and is included as an expense on the Statement of Operations and Accumulated Surplus.

## 9. Contingent liabilities:

- (a) 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, 2016, 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.
- (b) In 2006 the Corporation entered into a contribution agreement with the Minister of Municipal Affairs and Housing ("the Minister") for the funding of an affordable housing capital project located at Van Order Drive, Kingston Ontario. This agreement states that on each anniversary date of the interest adjustment date, the Corporation shall pay the Minister the amount of interest as calculated on the loan. However, the amount of interest shall be forgiven if the requirements of the agreement are satisfied by the Corporation. The annual interest since inception of the loan has been forgiven and is not recorded in these financial statements.

The contribution agreement also states that the loan shall be fully forgiven on the last day of the month at the end of the term of the loan, provided the Corporation has fulfilled all the requirements of the agreement. The full amount of the loan will be forgiven March 31, 2028. The loan proceeds of \$1,372,000 were recorded as grant revenue when received and the loan amount is not recorded in these financial statements.

Any interest or loan payable will be recorded in the financial statements when an event arises resulting in an obligation for the Corporation to pay interest charges or loan proceeds back to the Minister.



# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 9. Contingent liabilities (continued):

- (c) In 2011 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of an affordable housing capital project located at Queen Mary Road, Kingston Ontario. This agreement states that on each anniversary date of the interest adjustment date, the Corporation shall pay the Service Manager the amount of interest as calculated on the loan. However, the amount of interest shall be forgiven if the requirements of the agreement are satisfied by the Corporation. The annual interest since inception of the loan has been forgiven and is not recorded in these financial statements.

The contribution agreement also states that the loan shall be forgiven at a rate of one thirty-fifth ( $1/35$ ) of the original principal amount of \$3,317,468 for each year following occupancy provided the Corporation has fulfilled all the requirements of the agreement. The loan proceeds were recorded as grant revenue when received and the loan amount is not recorded in these financial statements. The loan agreement expires in 2047.

Any interest or loan payable will be recorded in the financial statements when an event arises resulting in an obligation for the Corporation to pay interest charges or loan proceeds back to the Service Manager.

- (d) In 2015 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of an affordable housing capital project located at Cliff Crescent, Kingston Ontario. This agreement states that on each anniversary date of the interest adjustment date, the Corporation shall pay the Service Manager the amount of interest as calculated on the loan. However, the amount of interest shall be forgiven if the requirements of the agreement are satisfied by the Corporation. The annual interest since inception of the loan has been forgiven and is not recorded in these financial statements.

The contribution agreement also states that the loan shall be forgiven at a rate of one twentieth ( $1/20$ ) of the original principal amount of \$697,966 for each year following the first advance provided the Corporation has fulfilled all the requirements of the agreement. The loan proceeds were recorded as grant revenue when received and the loan amount is not recorded in these financial statements. The loan agreement expires in 2036.

Any interest or loan payable will be recorded in the financial statements when an event arises resulting in an obligation for the Corporation to pay interest charges or loan proceeds back to the Service Manager.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 9. Contingent liabilities (continued):

- (e) In 2015 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of ten rent-geared-to-income units in an affordable housing capital project located at Cliff Crescent, Kingston Ontario. This agreement states that on each anniversary date of the first day of the month following the occupancy date, the Corporation shall pay the Service Manager the amount of interest as calculated on the loan. However, the amount of interest shall be forgiven if the requirements of the agreement are satisfied by the Corporation. The annual interest since inception of the loan has been forgiven and is not recorded in these financial statements.

The contribution agreement also states that the loan shall be forgiven at a rate of one twentieth (1/20) of the original principal amount of \$1,102,034 for each year following occupancy provided the Corporation has fulfilled all the requirements of the agreement. The loan proceeds were recorded as grant revenue when received and the loan amount is not recorded in these financial statements. The loan agreement expires in 2036.

Any interest or loan payable will be recorded in the financial statements when an event arises resulting in an obligation for the Corporation to pay interest charges or loan proceeds back to the Service Manager.

## 10. Fair value of financial instruments:

The carrying values of cash, 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 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, 2016

## 11. Tangible capital assets:

(a) Assets under construction:

The balance of assets under construction in 2016 is \$132,544 (2015 - \$2,206,393).

Cost	Balance December 31, 2015	Additions	Dispositions	Balance December 31, 2016
Land - Rent Geared to Income	\$ 9,972,224	\$ -	\$ (52,964)	\$ 9,919,260
Land - Queen Mary Road	180,000	-	-	180,000
Land - Van Order Drive	342,000	-	-	342,000
Land - Cliff Crescent	-	52,964	-	52,964
Land improvement - Rent Geared to Income	2,061,941	16,879	-	2,078,820
Land improvement - Queen Mary Road	114,950	-	-	114,950
Land improvement - Van Order Drive	120,630	-	-	120,630
Land improvement - Cliff Crescent	-	141,600	-	141,600
Building - Rent Geared to Income	29,838,270	1,469,736	-	31,308,006
Building - Queen Mary Road	4,496,149	-	-	4,496,149
Building - Van Order Drive	7,400,877	-	-	7,400,877
Building - Cliff Crescent	-	4,496,072	-	4,496,072
Assets under construction	2,206,393	132,544	(2,206,393)	132,544
	<b>\$ 56,733,434</b>	<b>\$ 6,309,795</b>	<b>\$ (2,259,357)</b>	<b>\$ 60,783,872</b>

Accumulated amortization	Balance December 31, 2015	Disposals	Amortization	Balance December 31, 2016
Land improvement - Rent Geared to Income	\$ 714,719	\$ -	\$ 70,700	\$ 785,419
Land improvement - Queen Mary Road	13,093	-	3,832	16,925
Land improvement - Van Order Drive	32,168	-	4,021	36,189
Land improvement - Cliff Crescent	-	-	1,967	1,967
Building - Rent Geared to Income	10,265,839	-	1,005,460	11,271,299
Building - Queen Mary Road	385,307	-	112,404	497,711
Building - Van Order Drive	1,519,132	-	189,389	1,708,521
Building - Cliff Crescent	-	-	46,834	46,834
	<b>\$ 12,930,258</b>	<b>\$ -</b>	<b>\$ 1,434,607</b>	<b>\$ 14,364,865</b>

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 11. Tangible capital assets (continued):

(b) Tangible capital assets disclosed at nominal values (continued):

	Net book value December 31, 2015	Net book value December 31, 2016
Land - Rent Geared to Income	\$ 9,972,224	\$ 9,919,260
Land - Queen Mary Road	180,000	180,000
Land - Van Order Drive	342,000	342,000
Land - Cliff Crescent	-	52,964
Land improvement - Rent Geared to Income	1,347,222	1,293,401
Land improvement - Queen Mary Road	101,857	98,025
Land improvement - Van Order Drive	88,462	84,441
Land improvement - Cliff Crescent	-	139,633
Building - Rent Geared to Income	19,572,431	20,036,707
Building - Queen Mary Road	4,110,842	3,998,438
Building - Van Order Drive	5,881,745	5,692,356
Building - Cliff Crescent	-	4,449,238
Assets under construction	2,206,393	132,544
	<b>\$ 43,803,176</b>	<b>\$ 46,419,007</b>

## 12. Local housing subsidy:

Rent supplement administration subsidy of \$168,297 (2015 - \$166,713) received from the Corporation of the City of Kingston was included with the local housing subsidy on the Statement of Operations and Accumulated Surplus.

## 13. Disposition of 80 Daly Street and construction of 40 Cliff Crescent located in Kingston, Ontario:

- (a) During 2015, the Corporation sold RGI land and building located at 80 Daly Street to the Corporation of the City of Kingston for proceeds of \$500,000 less costs of sale. The book value of the related tangible capital assets amounted to \$1,105,815 resulting in a loss on sale of \$607,021 which is included on the Statement of Operations and Accumulated Surplus.
- (b) In 2015, the Corporation commenced construction of a new affordable housing building located at 40 Cliff Crescent. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$1,800,000 in this regard of which \$192,827 (2015 - \$1,607,173) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## **14. Comparative information:**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

# KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget (note 7)	2016 Total	2015 Total
<b>Revenue:</b>			
Rents	\$ 2,533,599	\$ 2,533,866	\$ 2,510,621
Local housing subsidy (note 12)	4,577,490	4,546,959	4,512,680
Rent supplement	3,224,148	3,097,005	3,046,771
Homelessness supplement	466,805	466,805	466,805
Non-rental revenue	125,000	137,568	157,351
Government grants	–	42,791	–
Interest income	10,860	30,683	45,521
	10,937,902	10,855,677	10,739,749
<b>Expenses:</b>			
Rent supplement program costs	3,690,953	3,563,810	3,513,576
Salaries and benefits	1,870,529	1,781,261	1,796,132
Municipal taxes	1,607,770	1,571,817	1,563,371
Capital expenses	1,371,492	1,808,391	1,422,593
Maintenance expense	929,100	924,613	889,834
Utilities	853,452	840,634	780,168
Professional services	206,279	295,184	250,324
Insurance	226,014	193,930	214,553
Administration services and expenses	151,283	171,520	147,168
Bad debts (recovery)	31,030	509	(582)
Amounts recognized as tangible capital assets	(1,000,000)	(1,572,471)	(958,655)
	9,937,902	9,579,198	9,618,482
Excess of revenue over expenses	1,000,000	1,276,479	1,121,267
Amortization expense	1,000,000	1,076,160	1,035,066
Subsidy adjustment	–	38,004	–
Loss on sale of tangible capital assets (note 13(a))	–	–	607,021
	1,000,000	1,114,164	1,642,087
Annual surplus (deficit)	–	162,315	(520,820)
Accumulated surplus, beginning of year		32,718,641	33,738,255
Transfer to Affordable Housing Program		(52,964)	(498,794)
Accumulated surplus, end of year		\$ 32,827,992	\$ 32,718,641
<b>Analyzed as follows:</b>			
Operating surplus (including 100 common shares for \$10)		\$ 691,932	\$ 648,554
Invested in tangible capital assets		31,381,912	30,891,877
Reserve Fund (note 4)		754,148	1,178,210
Accumulated surplus, end of year		\$ 32,827,992	\$ 32,718,641

# KINGSTON & FRONTENAC HOUSING CORPORATION

## Schedule 2 - Affordable Housing Program Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget (note 7)	2016 Total	2015 Total
<b>Revenue:</b>			
Rents	\$ 675,929	\$ 691,721	\$ 603,639
Province of Ontario grant	168,000	167,945	167,945
Non-residential rents	123,309	123,309	122,149
Interest income	11,000	10,918	14,601
Non-rental revenue	19,103	42,095	17,771
	997,341	1,035,988	926,105
<b>Expenses:</b>			
Interest costs	263,537	245,283	252,188
Utilities	112,766	110,597	103,141
Municipal taxes	92,391	91,009	82,249
Maintenance expense	52,245	48,655	53,220
Salaries and benefits	38,088	34,844	34,844
Insurance	21,168	20,429	17,176
Professional services	13,000	13,000	2,000
Administration services and expenses	900	2,129	1,914
Bad debts	–	13	468
	594,095	565,959	547,200
Excess of revenue over expenses	403,246	470,029	378,905
Amortization expense	350,154	358,447	309,645
Government grants (note 13(b))	–	(192,827)	(1,607,173)
	350,154	165,620	(1,297,528)
Annual surplus	53,092	304,409	1,676,433
Accumulated surplus, beginning of year		9,517,137	7,341,910
Transfer from Rent Geared to Income Program		52,964	498,794
Accumulated surplus, end of year		\$ 9,874,510	\$ 9,517,137
<b>Analyzed as follows:</b>			
Operating surplus		\$ 507,749	\$ 771,528
Invested in tangible capital assets:			
Tangible capital assets		15,037,095	12,911,299
Long-term debt		(6,454,678)	(4,803,241)
Capital financing		601,462	490,937
		9,691,628	9,370,523
Reserve Fund (note 5)		182,882	146,614
		\$ 9,874,510	\$ 9,517,137