

Financial Statements of

**KINGSTON & FRONTENAC
HOUSING CORPORATION**

Year ended December 31, 2021

KINGSTON & FRONTENAC HOUSING CORPORATION

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Year ended December 31, 2021

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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.



Mary Lynn Cousins Brame
Chief Executive Officer



Dan Song
Director of Finance & Operations



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Kingston & Frontenac Housing Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 30, 2022

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Current assets:		
Cash	\$ 6,622,661	\$ 5,449,187
Rents receivable	48,013	54,327
Receivable from the Corporation of the City of Kingston (note 6)	38,734	—
Other receivables	1,070,531	691,409
	<u>7,779,939</u>	<u>6,194,923</u>
Long-term investments (notes 2, 4 and 5)	2,917,814	1,440,766
	<u>10,697,753</u>	<u>7,635,689</u>
Financial liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	2,441,849	1,359,558
Accrued payroll and employee benefits	168,858	151,524
Current portion of long-term debt (note 3)	4,049,917	488,350
Prepaid rents	414,495	307,259
Deferred revenue	51,215	66,874
Subsidy paid in advance	792,106	559,558
Payable to the Corporation of the City of Kingston (note 6)	—	282,338
	<u>7,918,440</u>	<u>3,215,461</u>
Long-term debt (note 3)	18,077,433	9,372,699
	<u>25,995,873</u>	<u>12,588,160</u>
Net financial debt	(15,298,120)	(4,952,471)
Non-financial assets:		
Tangible capital assets (note 12)	70,280,512	56,949,263
Prepaid expenses	598,564	291,535
	<u>70,879,076</u>	<u>57,240,798</u>
Contingent liabilities (notes 6 and 10)		
Accumulated surplus	\$ 55,580,956	\$ 52,288,327

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, 2021, with comparative information for 2020

	2021 Budget (note 8)	2021 Total	2020 Total
Revenue:			
Local housing subsidy (note 13)	\$ 4,259,438	\$ 4,341,307	\$ 4,206,880
Rents	4,781,464	4,586,855	4,787,420
Rent supplement	2,920,000	2,918,852	2,868,008
Homelessness and portable subsidies	726,805	838,115	727,313
Province of Ontario grant	168,000	167,945	167,945
Non-rental revenue	1,077,394	428,429	266,950
Fees (note 15)	–	1,118,477	960,654
Interest income	29,080	28,019	129,000
	13,962,181	14,427,999	14,114,170
Expenses:			
Rent supplement and portable program costs	3,646,805	3,756,967	3,595,321
Salaries and benefits	2,285,861	1,969,386	1,961,097
Municipal taxes	1,933,996	1,936,100	1,902,889
Maintenance expense	1,581,875	1,133,235	1,079,584
Utilities	930,708	797,153	841,818
Capital expenses	1,400,133	759,013	1,272,267
Amounts recognized as tangible capital assets	–	(453,384)	(963,232)
Professional services	190,854	292,655	176,474
Management expenses (note 15)	–	1,110,601	846,017
Interest on long-term debt	387,608	385,910	383,156
Insurance	373,724	460,580	322,270
Administration services and expenses	172,147	188,175	160,378
Bad debts	75,340	61,380	90,644
	12,979,051	12,397,771	11,668,683
Excess of revenue over expenses before the undernoted items	983,130	2,030,228	2,445,487
Gain on insurance proceeds	–	(548,661)	–
Net gain on acquisition of assets (note 17(c))	–	(1,895,737)	–
Loss on disposal of asset	–	727,991	–
Amortization expense	678,528	1,944,304	1,922,645
Capital government grants (note 14)	–	(1,490,298)	(1,908,476)
	678,528	(1,262,401)	14,169
Annual surplus	304,602	3,292,629	2,431,318
Accumulated surplus, beginning of year		52,288,327	49,857,009
Accumulated surplus, end of year		\$ 55,580,956	\$ 52,288,327

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2021, with comparative information for 2020

	2021 Total	2020 Total
Annual surplus	\$ 3,292,629	\$ 2,431,318
Acquisition of tangible capital assets	(5,555,011)	(4,089,661)
Acquisition of assets (note 17)	(10,448,533)	–
Write-off of tangible capital assets	727,991	–
Amortization of tangible capital assets	1,944,304	1,922,645
Change in prepaid expenses	(307,029)	24,122
Net change in net financial assets	(10,345,649)	288,424
Net financial debt, beginning of year	(4,952,471)	(5,240,895)
Net financial debt, end of year	\$ (15,298,120)	\$ (4,952,471)

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,292,629	\$ 2,431,318
Adjustments to non-cash items:		
Write-off of capital assets	727,991	-
Gain on acquisition of assets (note 17)	(1,895,737)	-
Amortization of tangible capital assets	1,944,304	1,922,645
	4,069,187	4,353,963
Change in non-cash assets and liabilities:		
Rents receivable	6,314	(30,785)
Receivable from the Corporation of the City of Kingston	(38,734)	-
Other receivables	(379,122)	(59,517)
Prepaid expenses	(307,029)	24,122
Accounts payable and accrued liabilities	2,828,138	306,125
Accrued payroll and employee benefits	17,334	7,770
Prepaid rents	107,236	40,445
Deferred revenue	(15,659)	16,735
Subsidy paid in advance	232,548	(4,537)
Payable to the Corporation of the City of Kingston	(282,338)	(155,539)
	2,168,688	144,819
	6,237,875	4,498,782
Capital activities:		
Cash used to acquire tangible capital assets	(5,555,011)	(4,089,661)
Financing activities:		
Proceeds of long-term debt*	2,456,007	1,452,405
Principal repayment of long-term debt*	(488,349)	(359,608)
	1,967,658	1,092,797
Investing activities:		
Increase in long-term investments	(1,477,048)	(134,294)
Increase in cash	1,173,474	1,367,624
Cash, beginning of year	5,449,187	4,081,563
Cash, end of year	\$ 6,622,661	\$ 5,449,187

See accompanying notes to financial statements.

* Certain non-cash transactions relating to the acquisition of assets and liabilities from Kingston Municipal Non- Profit Housing Corporation as part of the purchase and sale agreement (note 17) are excluded from the statement of cash flows as being non-cash transactions.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

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 the 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, 2021.

(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, 2021

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 year. 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
Furniture and equipment	10
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.

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations.

(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.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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.

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, 2021 is \$2,917,814 (2020 - \$1,440,766), with a portion of this amount relating to the Affordable Housing Project of \$516,709 (2020 - \$427,886) and a portion of this amount relating to the Rent Geared to Income program of \$258,252 (2020 - \$Nil).

The portion of the investments under the Affordable Housing Project are held as part of the lender's requirement and hence, restricted in nature. The fair-value of the investments held in trust with Industrial Alliance as at December 31, 2021 is \$333,159 (2020 - \$301,759) and with Infrastructure Ontario as at December 31, 2021 is \$183,550 (2020 - \$126,127).

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Affordable housing program long-term debt:

	2021	2020
5.421% Mortgage payable in monthly blended instalments of \$29,240, due February 15, 2028, secured by 119 and 129 Van Order Drive	\$ 3,436,179	\$ 3,598,120
3.59% Mortgage payable in monthly blended instalments of \$3,390, due October 15, 2032, secured by 233 Queen Mary Road	364,735	391,798
3.41% Mortgage payable in monthly blended instalments of \$10,345, due December 20, 2036, secured by 40 Cliff Crescent	1,456,036	1,529,164
3.48% Mortgage payable in monthly blended instalments of \$3,260, due March 26, 2049, secured by 28 Cliff Crescent	688,104	702,999
3.41% Mortgage payable in monthly blended instalments of \$10,078, due May 28, 2049, secured by 645 Brock Street	2,152,181	2,198,858
2.82% Mortgage payable in monthly blended instalments of \$2,047.10, due May 1, 2050, secured by 20 Cliff Crescent	479,851	490,718
2.55% Mortgage payable in monthly blended instalments of \$3,262.61, due August 24, 2050, secured by 1 Curtis Crescent	795,614	814,219
4.68% Mortgage payable in monthly blended instalments, due November 30, 2021, secured by 27 Wright Crescent	2,400,007	79,173
Interest free and unsecured seed funding payable, for 1 Curtis Crescent due at the earlier of (i) receipt of project funding; (ii) the third anniversary of the signing of the seed funding agreement; or (iii) upon project termination or discontinuance	35,000	35,000
Interest free and unsecured seed funding payable for 20 Cliff Crescent, due at the earlier of (i) receipt of project funding; (ii) the third anniversary of the signing of the seed funding agreement; or (iii) upon project termination or discontinuance	21,000	21,000
2.39% Mortgage, payable \$14,936 monthly including interest, due February 1, 2023, secured by Rideau Street and Division Street	206,092	-
5.972% Mortgage, payable \$29,594 monthly including interest, due May 1, 2028, secured by Cassidy Street	1,896,152	-
2.09% Mortgage, payable \$21,773 monthly including interest, due June 1, 2023, secured by Rideaucrest Towers	1,568,256	-
Carry forward	15,499,207	9,861,049

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Affordable housing program long-term debt (continued):

	2021	2020
Carried forward	\$ 15,499,207	\$ 9,861,049
6.49% Mortgage, payable \$27,018 monthly including interest, due January 1, 2026, secured by Country Pines	1,629,953	—
2.964% Mortgage, payable \$27,246 monthly, including interest, due January 1, 2024, net of deferred financing costs of \$197,754, secured by Eldon Hall	3,461,451	—
2.99% Mortgage, payable \$27,151 monthly including interest, due January 1, 2028, secured by Patrick Street	1,536,739	—
	22,127,350	9,861,049
Current portion of long-term debt	(4,049,917)	(488,350)
	\$ 18,077,433	\$ 9,372,699

The minimum scheduled principal repayments are as follows:

2022	\$ 4,049,917
2023	2,609,386
2024	4,586,277
2025	1,301,501
2026	1,704,100
2027 and thereafter	7,876,169
	\$ 22,127,350

Interest on mortgages payable in the amount of \$385,910 (2020 - \$383,156) is included in interest on long-term debt on the Statement of Operations and Accumulated Surplus.

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, 2021

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.

	2021	2020
Balance, beginning of year	\$ 1,319,560	\$ 932,342
Allocation from operations	1,400,133	1,398,670
Allocation for additional capital expenses	–	179,060
Expenses	(734,358)	(1,271,051)
	665,775	306,679
Investment income (loss)	(12,868)	80,539
Excess of revenue over expenses	652,907	387,218
Balance, end of year	\$ 1,972,467	\$ 1,319,560

Long-term investments in the amount of \$1,306,691 (2020 - \$1,012,880) have been designated to support the rent geared to income capital reserve fund and have not been adjusted for year-end outstanding transfers in of \$665,776 (2020 - \$306,680 transfers in).

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.

	2021	2020
Balance, beginning of year	\$ 427,886	\$ 347,483
Net transfer from operations	87,423	76,104
Interest earned	1,400	4,299
Balance, end of year	\$ 516,709	\$ 427,886

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

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 \$38,735 (2020 - payable of \$282,338) has been reported on the Statement of Financial Position with respect to an estimate of the balance of subsidy revenue to be paid by (to) the Service Manager as follows:

	Operating	Rent Supplement	Portable Housing	2021	2020
Subsidy advances received	\$ 4,259,438	\$ 3,381,255	\$ 361,541	\$ 8,002,234	\$ 7,946,407
Allowable expenses	4,341,308	3,411,327	345,640	8,098,275	7,802,200
Payable (receivable) to the Corporation of the City of Kingston	(81,870)	(30,072)	15,901	(96,041)	144,207
Prior year payment of subsidy	(185,472)	(39,559)	–	(225,031)	(299,746)
Beginning balance of subsidy payable	240,831	39,559	1,948	282,338	437,877
Ending balance of subsidy payable (receivable)	\$ (26,511)	\$ (30,072)	\$ 17,849	\$ (38,734)	\$ 282,338

7. Line of credit:

In 2017, the Corporation signed a revolving demand credit facility agreement for up to \$1,500,000, at the lender's prime rate, secured by a first charge on the lands and improvements located at 1130 Montreal Street, Kingston, Ontario to finance general operating requirements.

As at December 31, 2021 this amount was undrawn (2020 - undrawn) and \$Nil interest expense (2020 - \$Nil) was recorded.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. 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.

9. Pension agreements:

The Corporation makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit pension 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 OMERS Board of Trustees representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 1,000 employers and 450,000 plan members.

Each year an independent actuary determines the funding status of the OMERS pension plan (the Plan) by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation reported an actuarial deficit of \$3.1 billion (2020 - \$3.2 billion actuarial deficit). Because OMERS is a multi- employer plan, any pension plan surpluses or deficits are a joint responsibility of employers and plan members participating in the Plan. The Corporation has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. As a result, the Corporation does not recognize any share of the OMERS pension deficit.

The amount contributed to OMERS by the Corporation was \$163,878 (2020 - \$163,878), for current service and is included as an expense on the Statement of Operations and Accumulated Surplus.

10. 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, 2021, 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.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Contingent liabilities (continued):

- (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 119 & 129 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.

- (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 233 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.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Contingent liabilities (continued):

- (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 40 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.

- (e) In 2015 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of ten rent-gear-to-income units in an affordable housing capital project located at 40 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.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Contingent liabilities (continued):

- (f) In 2017 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 645 Brock Street, 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 thirtieth (1/30) of the original principal amount of \$1,342,500 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 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.

- (g) In 2017 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of ten rent-g geared-to-income units in an affordable housing capital project located at 645 Brock Street, 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 \$1,157,500 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 2038.

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, 2021

10. Contingent liabilities (continued):

- (h) In 2018 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of an affordable housing capital infill project located at 28 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 thirtieth (1/30) of the original principal amount of \$1,200,000 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 2048.

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.

- (i) In 2018 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of an affordable housing capital infill project located at 1 Curtis 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 thirtieth (1/30) of the original principal amount of \$1,500,000 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 2049.

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, 2021

10. Contingent liabilities (continued):

- (j) In 2018 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of an affordable housing capital infill project located at 20 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 thirtieth (1/30) of the original principal amount of \$1,200,000 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 2049.

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.

- (k) In 2020 the Corporation entered into a contribution agreement with the Canada Mortgage and Housing Corporation for the funding of an affordable housing capital infill project located at 27 Wright 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 \$198,155 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 2040.

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, 2021

10. Contingent liabilities (continued):

- (l) In 2020 the Corporation entered into a municipal contribution agreement with the Corporation of the City of Kingston for the funding of an affordable housing capital infill project located at 27 Wright 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 \$723,215 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 2040.

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.

- (m) In 2020 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston under the Investment in Affordable Housing for Ontario Program for the funding of an affordable housing capital infill project located at 27 Wright 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 \$626,785 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 2040.

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, 2021

10. Contingent liabilities (continued):

(n) In 2020 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston under the Ontario Priorities Housing Initiative for the funding of an affordable housing capital infill project located at 27 Wright 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 \$1,306,820 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 2040.

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.

11. 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, 2021

12. Tangible capital assets:

(a) Assets under construction:

The balance of assets under construction in 2021 is \$7,942,539 (2020 - \$2,651,840).

(b) Cost:

Cost	Balance December 31, 2020	Additions (note 17)	Transfers	Disposals	Balance December 31, 2021
Land - Rent Geared to Income	\$ 9,845,651	\$ -	\$ -	\$ -	\$ 9,845,651
Land - Queen Mary Road	180,000	-	-	-	180,000
Land - Van Order Drive	342,000	-	-	-	342,000
Land - 40 Cliff Crescent (AFD/MR)	52,964	-	-	-	52,964
Land - 28 Cliff Crescent	9,333	-	-	-	9,333
Land - 645 Brock Street	342,000	-	-	-	342,000
Land - 20 Cliff Crescent	50,870	-	-	-	50,870
Land - Curtis Crescent	13,406	-	-	-	13,406
Land (THK)	-	2,175,415	-	-	2,175,415
Land improvements (THK)	-	344,180	-	-	344,180
Land improvements - Rent Geared to Income	2,145,438	-	-	-	2,145,438
Land improvements - Queen Mary Road	114,950	-	-	-	114,950
Land improvements - Van Order Drive	120,630	-	-	-	120,630
Land improvements - 40 Cliff Crescent (AFD/MR)	141,600	-	-	-	141,600
Land improvements - 645 Brock Street	197,585	-	-	-	197,585
Land Improvements - 20 Cliff Crescent	20,050	-	-	-	20,050
Land Improvements - Curtis Crescent	33,401	-	-	-	33,401
Building (THK)	-	26,450,248	-	-	26,450,248
Building - Rent Geared to Income	35,654,705	243,157	21,155	(1,021,849)	34,897,168
Building - Queen Mary Road	4,496,149	-	-	-	4,496,149
Building - Van Order Drive	7,400,877	-	-	-	7,400,877
Building - 40 Cliff Crescent	4,496,072	-	-	-	4,496,072
Building - 28 Cliff Crescent	1,977,851	-	-	-	1,977,851
Building - 645 Brock Street	4,273,003	-	-	-	4,273,003
Building - 20 Cliff Crescent	1,339,157	-	-	-	1,339,157
Building - Curtis Crescent	2,351,915	-	-	-	2,351,915
HVAC units	-	899,848	-	-	899,848
Assets under construction	2,651,840	5,311,854	(21,155)	-	7,942,539
	\$ 78,251,447	\$ 35,424,702	\$ -	\$ (1,021,849)	\$ 112,654,300

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Tangible capital assets (continued):

(c) Accumulated amortization:

Accumulated amortization	Balance December 31, 2020	Disposals	Amortization (note 17)	Balance December 31, 2021
Land improvements - THK	\$ -	\$ -	\$ 103,499	\$ 103,499
Land improvements - Rent Geared to Income	1,073,861	-	73,069	1,146,930
Land improvements - Queen Mary Road	32,253	-	3,832	36,085
Land improvements - Van Order Drive	52,273	-	4,021	56,294
Land improvements - 40 Cliff Crescent	20,847	-	4,720	25,567
Land improvements - 645 Brock Street	10,428	-	6,586	17,014
Land Improvements - 20 Cliff Crescent	390	-	668	1058
Land Improvements - Curtis Crescent	370	-	1,113	1,483
Building - THK	-	-	19,037,736	19,037,736
Building - Rent Geared to Income	15,911,221	(293,858)	1,193,709	16,811,072
Building - Queen Mary Road	947,328	-	112,404	1,059,732
Building - Van Order Drive	2,449,613	-	183,232	2,632,845
Building - 40 Cliff Crescent	496,442	-	112,402	608,844
Building - 28 Cliff Crescent	98,892	-	49,446	148,338
Building - 645 Brock Street	169,138	-	106,825	275,963
Building - 20 Cliff Crescent	19,529	-	33,479	53,008
Building - Curtis Crescent	19,599	-	58,798	78,397
HVAC units	-	-	279,923	279,923
	\$ 21,302,184	\$ (293,858)	\$ 21,365,462	\$ 42,373,788

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Tangible capital assets (continued):

(d) Net book value:

	Net book value December 31, 2020	Net book value December 31, 2021
Land - Rent Geared to Income	\$ 9,845,651	\$ 9,845,651
Land - Queen Mary Road	180,000	180,000
Land - Van Order Drive	342,000	342,000
Land - 40 Cliff Crescent	52,964	52,964
Land - 28 Cliff Crescent	9,333	9,333
Land - 645 Brock Street	342,000	342,000
Land - 20 Cliff Crescent	50,870	50,870
Land - Curtis Crescent	13,406	13,406
Land (THK)	-	2,175,415
Land improvements (THK)	-	240,681
Land improvement - Rent Geared to Income	1,071,577	998,508
Land improvement - Queen Mary Road	82,697	78,865
Land improvement - Van Order Drive	68,357	64,336
Land improvement - 40 Cliff Crescent	120,753	116,033
Land improvement - 645 Brock Street	187,157	180,571
Land improvements - 20 Cliff Crescent	19,660	18,992
Land improvements - Curtis Crescent	33,031	31,918
Building - THK	-	7,412,512
Building - Rent Geared to Income	19,743,484	18,086,096
Building - Queen Mary Road	3,548,821	3,436,417
Building - Van Order Drive	4,951,264	4,768,032
Building - 20 Cliff Crescent	3,999,630	3,887,228
Building - 28 Cliff Crescent	1,878,959	1,829,513
Building - 645 Brock Street	4,103,865	3,997,040
Building - 20 Cliff Crescent	1,319,628	1,286,149
Building - Curtis Crescent	2,332,316	2,273,518
HVAC units	-	619,925
Assets under construction	2,651,840	7,942,539
	<u>\$ 56,949,263</u>	<u>\$ 70,280,512</u>

13. Local housing subsidy:

Rent supplement administration subsidy of \$181,203 (2020 - \$181,986) received from the Corporation of the City of Kingston was included with the local housing subsidy on the Statement of Operations and Accumulated Surplus.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

14. Construction of 645 Brock Street, 28 Cliff Crescent, 1 Curtis Crescent, 20 Cliff Crescent Street and 1316 Princess Street located in Kingston, Ontario:

- (a) In 2018, the Corporation entered into an agreement with The Corporation of the City of Kingston to construct a new affordable housing building located at 1 Curtis Crescent. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$1,500,000 in this regard of which \$Nil (2020 - \$187,793) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (b) In 2018, the Corporation entered into an agreement with The Corporation of the City of Kingston to construct a new affordable housing building located at 20 Cliff Crescent. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$853,290 in this regard of which \$Nil (2020 - \$104,989) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (c) In 2020, the Corporation entered into an agreement with The Corporation of the City of Kingston under the Ontario Priorities Housing Initiative to construct a new affordable housing building located at 27 Wright Crescent. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$1,306,820 in this regard of which \$522,728 (2020 - \$653,410) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (d) In 2020, the Corporation entered into an agreement with The Corporation of the City of Kingston (IAH) under the Investment in Affordable Housing for Ontario Program to construct a new affordable housing building located at 27 Wright Crescent. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$626,785 in this regard of which \$250,714 (2020 - \$313,393) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (e) In 2020, the Corporation entered into an agreement with The Corporation of the City of Kingston to construct a new affordable housing building located at 27 Wright Crescent. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$723,215 in this regard of which \$Nil (2020 - \$402,738) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (f) In 2020, the Corporation entered into an agreement with the Canada Mortgage and Housing Corporation to construct a new affordable housing building located at 27 Wright Crescent. The Canada Mortgage and Housing Corporation agreed to provide the Corporation with funding of \$198,000 in this regard of which \$Nil (2020 - \$198,000) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (g) In 2020, the Corporation entered into a Seed Funding Contribution Agreement with Canada Mortgage and Housing Corporation in the amount of \$48,000 related to 1316 Princess Street and in this regard, \$Nil (2020 - \$48,000) 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, 2021

14. Construction of 645 Brock Street, 28 Cliff Crescent, 1 Curtis Crescent, 20 Cliff Crescent Street and 1316 Princess Street located in Kingston, Ontario (continued):

(h) In 2021, the Corporation entered into an agreement with The Corporation of the City of Kingston to construct a new affordable housing building located at 1316 Princess Street. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$716,856 which was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.

15. Kingston Municipal Non-Profit Housing Corporation:

On November 1, 2018, the Corporation entered into an agreement with Kingston Municipal Non-Profit Housing Corporation to provide management services for maintenance, repair and cleaning services. In addition, in 2020, the Corporation also entered into an agreement to provide additional finance and administrative related services. The amount of management fees received in the year was \$1,118,477 (2020 - \$960,654) and is included as a component of revenue on the Statement of Operations and Accumulated Surplus. The amount of management expenses incurred in the year was \$1,110,601 (2020 - \$846,017) and is included as a component of expenses on the Statement of Operations and Accumulated Surplus.

At year-end, the receivable for these management fees amounts to \$Nil (2020 - \$160,019) and is included in other receivables on the Statement of Financial Position.

16. Portable housing benefit:

In 2021, the Corporation received a subsidy for the Portable Housing Benefit which was designed to subsidize rent payments for high-need individuals. The amount of subsidies received during the year amounted to \$345,640 (2020 - \$250,319) and is included as a component of revenues on the Statement Of Operations and Accumulated Surplus. The expenses incurred in the year were \$345,640 (2020 - \$250,319) and are included as a component of expenses on the Statement of Operations and Accumulated Surplus.

17. Asset acquisition:

On December 23, 2021, the Corporation acquired certain assets of Kingston Municipal Non-Profit Housing Corporation, a related party by virtue of common control, for consideration of \$47,412,358 in the form of a promissory note payable. The acquired assets were transferred at their carrying value. This resulted in a loss on acquisition of assets of \$45,415,622.

The promissory note is unsecured, interest-free, with principal payments repayable in 15 equal consecutive annual installments, beginning on the first anniversary of the Promissory Note and every year thereafter, due in full on December 2036.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

17. Asset acquisition (continued):

Subsequent to year-end, under the terms of a Promissory Note Side Agreement, dated December 23, 2021, Kingston Municipal Non-Profit Housing Corporation transferred the promissory note to the Corporation. The Corporation then entered into a Forgiveness Side Agreement with the Corporation of the City of Kingston to forgive the promissory note at a rate of one fifteenth (1/15) of the original principal amount for each year following the first anniversary of the promissory note provided the Corporation has fulfilled all the requirements of the agreement. The forgiveness of the loan has been recorded in the 2021 fiscal year, resulting in a gain on forgiveness of promissory note payable of \$47,412,358. The loan amount is not recorded in these financial statements. The promissory note agreement expires in 2036.

The results of these transactions are detailed below:

- (a) The following table summarizes the book value of the assets acquired at the date of acquisition:

Cash	\$ 811,394
Rents receivable	30,824
Other receivables	263,851
Investments	1,094,414
Prepaid expenses	206,022
Tangible capital assets	10,448,533
Accounts payable and accrued liabilities	(449,801)
Prepaid rents	(100,003)
Subsidy paid in advance	(110,854)
Long-term debt	(10,298,643)
Identifiable assets acquired and liabilities assumed	1,895,737
Promissory note payable	(47,412,358)
Loss on acquisition of assets	\$ (45,516,621)

- (b) Forgiveness of promissory note payable \$ 47,412,358

- (c) Net gain on acquisition of assets:

Loss on acquisition of assets	\$ (45,516,621)
Gain on forgiveness of promissory note payable	47,412,358
	\$ 1,895,737

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

18. Impact of the COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Corporation has undertaken the following activities in relation to the COVID-19 pandemic:

Measures implemented to ensure worker safety and minimize exposure to COVID-19 include:

- Staff have to self-screen each morning and staff to stay home if they are sick or screen positive
- Staff who were travelling had to self-isolate for 14 days after returning home
- If at work and symptoms begin, workers immediately isolate, contact their supervisor and leave the workplace, following public health guidelines before they return
- Signs about COVID symptoms and prevention strategies are posted
- Physical distancing signs and floor markers are in place
- Regular emails sent out from the CEO with reminders and directions for following public health guidelines
- Compliance with the rules monitored by supervisors in the workplace.
- Sanitizing stations throughout the workplace for employee availability
- Workers must wear masks if within 6ft (2m) of each other
- Masks are worn in all public areas and apartment buildings
- As part of a general hazard control plan, full PPE is available to staff as needed or required
- Plexiglass installed at front reception and interview room to provide separation from tenants
- All tenants were screened prior to providing customer services
- Maintenance services continued during periods of lockdown, but only for emergency issues such as no heat, water leaks, etc.
- Increased collection risk with regards to rent receivables from tenants noted due to the impact of COVID-19

The Corporation continues to closely monitor the financial situation and to make adjustments to ensure the costs associated from the measures and as well as the impact from COVID can be covered in the operating budget.

KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (note 8)	2021 Total	2020 Total
Revenue:			
Rents	\$ 3,234,928	\$ 3,095,392	\$ 3,395,994
Local housing subsidy (note 13)	4,259,438	4,341,307	4,206,880
Rent supplement	3,386,805	3,411,327	2,868,008
Homelessness and portable subsidies	260,000	345,640	727,313
Non-rental revenue	148,600	217,307	192,223
Interest income	11,080	7,275	105,716
	<u>11,300,851</u>	<u>11,418,248</u>	<u>11,496,134</u>
Expenses:			
Rent supplement and portable program costs	3,646,805	3,756,967	3,595,321
Salaries and benefits	1,844,015	1,847,403	1,908,321
Municipal taxes	1,710,636	1,735,261	1,695,260
Capital expenses	1,400,133	734,360	1,271,051
Maintenance expense	1,059,774	999,371	972,061
Utilities	794,240	681,322	724,960
Professional services	294,286	370,869	296,707
Insurance	323,474	388,324	284,661
Administration services and expenses	172,147	188,177	159,646
Bad debts	55,341	39,130	90,589
Interest costs (recovery)	-	(5)	405
Amounts recognized as tangible capital assets	-	(452,143)	(963,232)
	<u>11,300,851</u>	<u>10,289,036</u>	<u>10,035,750</u>
Excess of revenue over expenses before the undernoted item	-	1,129,212	1,460,384
Amortization expense		1,265,771	1,298,279
		(136,559)	162,105
Extraordinary items:			
Gain on recovery of insurance proceeds		548,661	-
Loss on disposal of asset		(727,992)	-
		(179,331)	-
Annual surplus (deficit)		(315,890)	162,105
Accumulated surplus, beginning of year		34,147,934	33,985,829
Transfer between funds		(64,279)	-
Accumulated surplus, end of year		<u>\$ 33,767,765</u>	<u>\$ 34,147,934</u>
Analyzed as follows:			
Operating surplus (including 100 common shares for \$10)	\$	2,929,322	\$ 2,167,662
Invested in tangible capital assets		28,930,255	30,660,712
Reserve Fund (note 4)		1,972,467	1,319,560
Accumulated surplus, end of year	<u>\$</u>	<u>33,832,044</u>	<u>\$ 34,147,934</u>

KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (note 8)	2021 Total	2020 Total
Revenue:			
Rents	\$ 1,546,536	\$ 1,491,462	\$ 1,391,425
Province of Ontario grant	168,000	167,945	167,945
Non-residential rents	132,231	132,228	132,228
Interest income	18,000	20,746	23,283
Non-rental revenue	39,870	39,695	46,155
	1,904,637	1,852,076	1,761,036
Expenses:			
Interest costs	387,608	385,915	382,751
Utilities	136,468	115,831	116,858
Municipal taxes	223,360	200,839	207,629
Maintenance expense	90,901	133,409	107,522
Salaries and benefits	42,085	42,084	39,104
Insurance	47,250	72,256	37,608
Professional services	21,799	54,013	11,995
Capital expense	—	23,413	1,216
Administration services and expenses	—	—	733
Bad debts	19,999	22,253	55
	969,470	1,050,013	905,471
Excess of revenue over expenses before the undernoted items	935,167	802,063	855,565
Amortization expense		678,532	624,366
Capital government grants (note 14)		(1,490,298)	(1,908,476)
		(811,766)	(1,284,110)
Annual surplus		1,613,829	2,139,675
Accumulated surplus, beginning of year		17,924,705	15,785,030
Transfer between funds		64,279	—
Accumulated surplus, end of year		\$ 19,602,813	\$ 17,924,705
Analyzed as follows:			
Operating surplus (deficit)		\$ (698,458)	\$ 363,773
Invested in tangible capital assets:			
Tangible capital assets		30,901,724	26,288,553
Long-term debt		(11,828,707)	(9,861,049)
Capital financing		711,545	705,542
		19,784,562	17,133,046
Reserve Fund (note 5)		516,709	427,886
		\$ 19,602,813	\$ 17,924,705

KINGSTON & FRONTENAC HOUSING CORPORATION

Schedule 3 – Tenant Support Services Program Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	2021 Total	2020 Total
Revenue:		
Non-rental revenue	\$ 171,429	\$ 28,571
Expenses:		
Salaries and benefits	79,899	13,672
Maintenance	438	–
	80,337	13,672
Excess of revenue over expenses	91,092	14,899
Accumulated surplus, beginning of year	14,899	–
Accumulated surplus, end of year	\$ 105,991	\$ 14,899