

Financial Statements of

**KINGSTON & FRONTENAC
HOUSING CORPORATION**

Year ended December 31, 2022

KINGSTON & FRONTENAC HOUSING CORPORATION

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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 Auditor's 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

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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 ethical responsibilities in accordance with these requirements.

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

March 27, 2023

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Current assets:		
Cash	\$ 10,144,833	\$ 6,622,661
Rents receivable	262,469	48,013
Receivable from the Corporation of the City of Kingston (note 6)	–	38,734
Other receivables	2,308,445	1,070,531
	<u>12,715,747</u>	<u>7,779,939</u>
Long-term investments (notes 2, 4 and 5)	2,851,922	2,917,814
	<u>15,567,669</u>	<u>10,697,753</u>
Financial liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	3,185,944	2,441,849
Accrued payroll and employee benefits	151,287	168,858
Current portion of long-term debt (note 3)	2,763,430	4,049,917
Prepaid rents	479,693	414,495
Deferred revenue	81,509	51,215
Subsidy paid in advance	768,602	792,106
Payable to the Corporation of the City of Kingston (note 6)	330,049	–
	<u>7,760,514</u>	<u>7,918,440</u>
Long-term debt (note 3)	23,084,192	18,077,433
	<u>30,844,706</u>	<u>25,995,873</u>
Net financial debt	(15,277,037)	(15,298,120)
Non-financial assets:		
Tangible capital assets (note 11)	79,742,608	70,280,512
Prepaid expenses	657,277	598,564
	<u>80,399,885</u>	<u>70,879,076</u>
Contingent liabilities (notes 7 and 10)		
Accumulated surplus	\$ 65,122,848	\$ 55,580,956

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, 2022, with comparative information for 2021

	2022 Budget (note 8)	2022 Total	2021 Total
Revenue:			
Local housing subsidy (note 12)	\$ 6,618,141	\$ 6,618,141	\$ 4,341,307
Rents	7,669,008	8,341,247	4,586,855
Rent supplement	3,133,027	2,932,567	2,918,852
Homelessness and portable subsidies	973,026	900,816	838,115
Province of Ontario grant	168,000	167,945	167,945
Non-rental revenue	338,633	445,410	428,429
Fees (note 14)	–	–	1,118,477
Interest income	25,000	72,117	28,019
	18,924,835	19,478,243	14,427,999
Expenses:			
Rent supplement and portable program costs	4,106,053	3,833,383	3,756,967
Salaries and benefits	2,496,100	2,317,944	1,969,386
Municipal taxes	2,887,827	2,799,178	1,936,100
Maintenance expense	1,800,687	1,737,247	1,133,235
Utilities	1,383,308	1,428,437	797,153
Capital expenses	2,075,870	2,811,862	759,013
Amounts recognized as tangible capital assets	–	(2,442,047)	(453,384)
Professional services	298,108	642,518	292,655
Management expenses (note 14)	–	–	1,110,601
Interest on long-term debt	781,558	763,625	385,910
Insurance	508,692	534,223	460,580
Administration services and expenses	333,520	327,991	188,175
Bad debts	169,864	142,893	61,380
	16,841,587	14,897,254	12,397,771
Excess of revenue over expenses before the undernoted items	2,083,248	4,580,989	2,030,228
Gain on insurance proceeds	–	–	(548,661)
Net gain on acquisition of assets (note 16(c))	–	–	(1,895,737)
Loss on disposal of asset	–	–	727,991
Amortization expense	1,699,646	2,848,962	1,944,304
Capital government grants (note 13)	–	(7,809,865)	(1,490,298)
	1,699,646	(4,960,903)	(1,262,401)
Annual surplus	383,602	9,541,892	3,292,629
Accumulated surplus, beginning of year	–	55,580,956	52,288,327
Accumulated surplus, end of year	\$ 383,602	\$ 65,122,848	\$ 55,580,956

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2022, with comparative information for 2021

	2022 Total	2021 Total
Annual surplus	\$ 9,541,892	\$ 3,292,629
Acquisition of tangible capital assets	(12,311,058)	(5,555,011)
Acquisition of assets (note 16)	–	(10,448,533)
Write-off of tangible capital assets	–	727,991
Amortization of tangible capital assets	2,848,962	1,944,304
Change in prepaid expenses	(58,713)	(307,029)
Net change in net financial assets	21,083	(10,345,649)
Net financial debt, beginning of year	(15,298,120)	(4,952,471)
Net financial debt, end of year	\$ (15,277,037)	\$ (15,298,120)

See accompanying notes to financial statements.

KINGSTON & FRONTENAC HOUSING CORPORATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 9,541,892	\$ 3,292,629
Adjustments to non-cash items:		
Write-off of capital assets	-	727,991
Gain on acquisition of assets (note 16)	-	(1,895,737)
Amortization of tangible capital assets	2,848,962	1,944,304
	12,390,854	4,069,187
Change in non-cash assets and liabilities:		
Rents receivable	(214,456)	6,314
Receivable from the Corporation of the City of Kingston	38,734	(38,734)
Other receivables	(1,237,914)	(379,122)
Prepaid expenses	(58,713)	(307,029)
Accounts payable and accrued liabilities	744,094	2,828,138
Accrued payroll and employee benefits	(17,571)	17,334
Prepaid rents	65,198	107,236
Deferred revenue	30,294	(15,659)
Subsidy paid in advance	(23,504)	232,548
Payable to the Corporation of the City of Kingston	330,049	(282,338)
	(343,789)	2,168,688
	12,047,065	6,237,875
Capital activities:		
Cash used to acquire tangible capital assets	(12,311,058)	(5,555,011)
Financing activities:		
Proceeds of long-term debt*	4,136,515	2,456,007
Principal repayment of long-term debt*	(416,242)	(488,349)
	3,720,273	1,967,658
Investing activities:		
Decrease (increase) in long-term investments	65,892	(1,477,048)
Increase in cash	3,552,172	1,173,474
Cash, beginning of year	6,622,661	5,449,187
Cash, end of year	\$ 10,144,833	\$ 6,622,661

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 16) are excluded from the statement of cash flows as being non-cash transactions for the year ended December 31, 2021.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2022

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, 2022.

(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, 2022

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 and Accumulated Surplus.

(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, 2022

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, 2022 is \$2,851,922 (2021 - \$2,917,814), with a portion of this amount relating to the Affordable Housing Project of \$591,969 (2021 - \$516,709).

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, 2022 is \$364,713 (2021 - \$333,159) and with Infrastructure Ontario as at December 31, 2022 is \$227,256 (2021 - \$183,550).

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Affordable housing program long-term debt:

	2022	2021
5.421% Mortgage payable in monthly blended instalments of \$29,240, due February 15, 2028, secured by 119 and 129 Van Order Drive	\$ 3,265,340	\$ 3,436,179
3.59% Mortgage payable in monthly blended instalments of \$3,390, due October 15, 2032, secured by 233 Queen Mary Road	336,682	364,735
3.41% Mortgage payable in monthly blended instalments of \$10,345, due December 20, 2036, secured by 40 Cliff Crescent	1,380,375	1,456,036
3.48% Mortgage payable in monthly blended instalments of \$3,260, due March 26, 2049, secured by 28 Cliff Crescent	672,682	688,104
3.41% Mortgage payable in monthly blended instalments of \$10,078, due May 28, 2049, secured by 645 Brock Street	2,103,886	2,152,181
2.82% Mortgage payable in monthly blended instalments of \$2,047.10, due May 1, 2050, secured by 20 Cliff Crescent	468,674	479,851
2.55% Mortgage payable in monthly blended instalments of \$3,262.61, due August 24, 2050, secured by 1 Curtis Crescent	776,528	795,614
0.91% Mortgage payable in monthly blended instalments, due December 1, 2030, secured by 27 Wright Crescent	4,556,806	2,400,007
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
1% Mortgage, payable \$79,129 monthly including interest, due December 15, 2071, secured by 1316 Princess Street	3,101,530	—
4.34% Mortgage, payable \$514 monthly including interest, due December 15, 2031, secured by 1316 Princess Street	50,000	—
2.39% Mortgage, payable \$14,936 monthly including interest, due February 1, 2023, secured by Rideau Street and Division Street	29,781	206,092
Carry forward	16,798,284	12,034,799

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

	2022	2021
Carried forward	\$ 16,798,284	\$ 12,034,799
5.972% Mortgage, payable \$29,594 monthly including interest, due May 1, 2028, secured by Cassidy Street	1,646,181	1,896,152
2.09% Mortgage, payable \$21,773 monthly including interest, due June 1, 2023, secured by Rideaucrest Towers	1,337,415	1,568,256
6.49% Mortgage, payable \$27,018 monthly including interest, due January 1, 2026, secured by Country Pines	1,403,553	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	3,404,263	3,461,451
2.99% Mortgage, payable \$27,151 monthly including interest, due January 1, 2028, secured by Patrick Street	1,257,926	1,536,739
	25,847,622	22,127,350
Current portion of long-term debt	(2,763,430)	(4,049,917)
	\$ 23,084,192	\$ 18,077,433

The minimum scheduled principal repayments are as follows:

2023	\$ 2,763,430
2024	4,695,303
2025	1,423,579
2026	1,827,326
2027	951,510
2028 and thereafter	14,186,474
	\$ 25,847,622

Interest on mortgages payable in the amount of \$742,326 (2021 - \$385,910) 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 immoveable property located thereon;
- (ii) a first general assignment of leases and rents; and
- (iii) a first general security agreement.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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.

	2022	2021
Balance, beginning of year	\$ 1,972,467	\$ 1,319,560
Allocation from operations	1,777,870	1,400,133
Allocation for additional capital expenses	258,252	–
Expenses	(2,429,669)	(734,358)
	(393,547)	665,775
Investment loss	(181,129)	(12,868)
Excess of (expenses) over revenue	(574,676)	652,907
Balance, end of year	\$ 1,397,791	\$ 1,972,467

Long-term investments in the amount of \$1,383,813 (2021 - \$1,306,691) 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 (\$13,976) (2021 - \$665,776 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.

	2022	2021
Balance, beginning of year	\$ 516,709	\$ 427,886
Net transfer from operations	73,706	87,423
Interest earned	1,554	1,400
Balance, end of year	\$ 591,969	\$ 516,709

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Municipal subsidy payable/receivable:

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

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

An amount payable to the Corporation of the City of Kingston of \$330,049 (2021 - receivable of \$38,734) 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	2022	2021
Subsidy advances received	\$ 6,618,414	\$ 3,653,982	\$ 506,221	\$ 10,778,344	\$ 8,002,234
Allowable expenses	6,618,141	3,401,095	432,289	10,451,525	8,098,275
Payable (receivable) to the Corporation of the City of Kingston	–	252,887	73,932	326,819	(96,041)
Prior year payment of subsidy	26,511	30,072	(14,619)	41,964	(225,031)
Beginning balance of subsidy payable (receivable)	(26,511)	(30,072)	17,849	(38,734)	282,338
Ending balance of subsidy payable (receivable)	\$ –	\$ 252,887	\$ 77,162	\$ 330,049	\$ (38,734)

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, 2022 this amount was undrawn (2021 - undrawn) and \$Nil interest expense (2021 - \$Nil) was recorded.

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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, 2022. The results of this valuation reported an actuarial deficit of \$6.7 billion (2021 - \$3.1 billion). 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 for 2022 was \$164,545 (2021 - \$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, 2022, 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, 2022

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, 2022

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, 2022

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-gear-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, 2022

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, 2022

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, 2022

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, 2022

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.

- (o) In 2022 the Corporation entered into a contribution agreement with the Canada Mortgage and Housing Corporation under the Investment in Affordable Housing for Ontario Program for the funding of an affordable housing capital infill project located at 1316 Princess 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 twentieth (1/20) of the original principal amount of \$6,264,091 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 2031.

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, 2022

11. Tangible capital assets:

(a) Assets under construction:

The balance of assets under construction in 2022 is \$10,953,678 (2021 - \$7,942,539).

(b) Cost:

Cost	Balance December 31, 2021	Additions (note 17)	Transfers	Disposals	Balance December 31, 2022
Land - Rent Geared to Income	\$ 9,845,651	\$ -	\$ -	\$ -	\$ 98,845,651
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 Wright	-	500,000	-	-	500,000
Land improvements (THK)	344,180	265,875	-	-	610,055
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
Land Improvement - Wright	-	-	352,612	-	352,612
Building (THK)	27,500,250	12,720	-	-	27,512,970
Building - Rent Geared to Income	34,897,169	1,343,249	205,263	-	36,445,681
Building - Queen Mary Road	4,496,149	8,783	-	-	4,504,932
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
Building - Wright	-	-	6,611,415	-	-
Assets under construction	7,942,539	10,180,431	(7,169,290)	-	10,953,678
	\$ 112,804,453	\$ 12,311,058	\$ -	\$ -	\$ 125,115,511

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Tangible capital assets (continued):

(c) Accumulated amortization:

Accumulated amortization	Balance December 31, 2021	Disposals	Amortization (note 17)	Balance December 31, 2022
Land improvements - THK	\$ 103,499	\$ 11,472	\$ -	\$ 114,674
Land improvements - Rent Geared to Income	1,146,930	73,069	-	1,219,999
Land improvements - Queen Mary Road	36,084	3,832	-	39,916
Land improvements - Van Order Drive	60,315	4,021	-	64,336
Land improvements - 40 Cliff Crescent	25,567	4,720	-	30,287
Land improvements - 645 Brock Street	17,014	6,586	-	23,600
Land Improvements - 20 Cliff Crescent	1,058	668	-	1,726
Land Improvements - Curtis Crescent	1,484	1,113	-	2,597
Land Improvement - Wright	-	5,877	-	5,877
Building - THK	19,468,111	687,507	-	20,155,618
Building - Rent Geared to Income	16,808,055	1,308,986	-	18,117,041
Building - Queen Mary Road	1,059,722	113,282	-	1,173,004
Building - Van Order Drive	2,631,833	184,236	-	2,816,069
Building - 40 Cliff Crescent	608,843	112,402	-	721,245
Building - 28 Cliff Crescent	148,353	49,446	-	197,799
Building - 645 Brock Street	275,965	106,825	-	382,790
Building - 20 Cliff Crescent	53,008	33,479	-	86,487
Building - Curtis Crescent	78,397	58,798	-	137,195
Building - Wright	-	82,643	-	82,643
	\$ 45,523,941	\$ 2,848,962	\$ -	\$ 45,372,903

KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Tangible capital assets (continued):

(d) Net book value:

	Net book value December 31, 2021	Net book value December 31, 2022
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	2,175,415
Land Wright	-	500,000
Land improvements (THK)	240,978	495,381
Land improvement - Rent Geared to Income	998,508	925,439
Land improvement - Queen Mary Road	78,866	75,034
Land improvement - Van Order Drive	60,315	56,294
Land improvement - 40 Cliff Crescent	116,033	111,313
Land improvement 645 Brock Street	180,571	173,985
Land improvements - 20 Cliff Crescent	18,992	18,324
Land improvements - Curtis Crescent	31,917	30,804
Land - Wright	-	346,735
Building - THK	8,032,139	7,357,352
Building - Rent Geared to Income	18,089,114	18,328,640
Building - Queen Mary Road	3,436,427	3,331,928
Building - Van Order Drive	4,769,044	4,584,808
Building - 20 Cliff Crescent	3,887,229	3,774,827
Building - 28 Cliff Crescent	1,829,498	1,780,052
Building - 645 Brock Street	3,997,038	3,890,213
Building - 20 Cliff Crescent	1,286,149	1,252,670
Building - Curtis Crescent	2,273,516	2,214,720
Building - Wright	-	6,528,772
Assets under construction	7,942,539	10,953,678
	\$ 70,280,512	\$ 79,742,608

12. Local housing subsidy:

Rent supplement administration subsidy of \$187,926 (2021 - \$181,203) 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, 2022

13. Construction of 27 Wright Crescent and 1316 Princess Street located in Kingston, Ontario:

- (a) In 2020, the Corporation entered into an agreement with The Corporation of the City of Kingston Ontario Priorities Housing Initiative (“OPHI”) 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 \$130,682 (2021 - \$522,728) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (b) In 2020, the Corporation entered into an agreement with The Corporation of the City of Kingston Investment in Affordable Housing (“IAH”) 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 \$62,678 (2021 - \$250,714) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (c) 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 \$7,953,753 in this regard of which \$2,854,020 (2021 - \$716,856) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (d) In 2022, the Corporation entered into an agreement with The Corporation of the City of Kingston (IAH) 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 \$320,478 (2021 - \$Nil) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (e) In 2022, the Corporation entered into an agreement with The Corporation of the City of Kingston (IAH) 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 \$854,025 in this regard of which \$427,013 (2021 - \$Nil) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (f) In 2022, the Corporation entered into an agreement with The Corporation of the City of Kingston (IAH) 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 \$2,078,085 which was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.
- (g) In 2022, the Corporation entered into an agreement with Canada Mortgage and Housing Corporation to construct a new affordable housing building located at 1316 Princess Street. During the year, \$1,436,909 of the total forgivable loan \$6,264,091 was received and which 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, 2022

13. Construction of 27 Wright Crescent and 1316 Princess Street located in Kingston, Ontario (continued):

(h) In 2022, the Corporation received a land contribution from the City of Kingston for the housing building located at 27 Wright Crescent. The land has been recorded at a fair market value of \$500,000 and which was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.

14. Management fee/expense:

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 2019, 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 \$Nil (2021 - \$1,118,477) 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 \$Nil (2021 - \$1,110,601) 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 (2021 - \$258,951) and is included in other receivables on the Statement of Financial Position.

15. Portable housing benefit:

In 2022, 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 \$432,289 (2021 - \$345,640) and is included as a component of revenues on the Statement of Operations and Accumulated Surplus. The expenses incurred in the year were \$432,289 (2021 - \$345,640) and is included as a component of expenses on the Statement of Operations and Accumulated Surplus.

16. 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 was 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, 2022

16. Asset acquisition (continued):

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, that resulted 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

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

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 8)	2022 Total	2021 Total
Revenue:			
Rents	\$ 4,980,083	\$ 5,352,188	\$ 3,095,392
Local housing subsidy (note 13)	6,618,141	6,618,141	4,341,307
Rent supplement	3,599,832	3,401,095	3,411,327
Homelessness and portable subsidies	506,221	432,289	345,640
Non-rental revenue	174,609	272,223	217,307
Interest income	10,000	(28,130)	7,275
	<u>15,888,886</u>	<u>16,047,806</u>	<u>11,418,248</u>
Expenses:			
Rent supplement and portable program costs	4,106,053	3,833,383	3,756,967
Salaries and benefits	2,263,468	1,913,107	1,847,403
Municipal taxes	2,425,327	2,373,777	1,735,261
Capital expenses	1,77,870	275,000	734,360
Maintenance expense	1,840,014	1,682,199	999,371
Utilities	1,077,708	1,126,305	681,322
Professional services	259,454	621,392	370,869
Insurance	418,016	512,026	388,324
Administration services and expenses	149,668	141,369	188,177
Bad debts	132,854	133,691	39,130
Interest costs (recovery)	295,264	289,676	(5)
Amounts recognized as tangible capital assets	-	-	(452,143)
	<u>14,745,696</u>	<u>12,901,925</u>	<u>10,289,036</u>
Excess of revenue over expenses before the undernoted items	1,143,190	3,145,880	1,129,212
Amortization expense	840,000	1,993,674	1,265,771
	<u>303,190</u>	<u>1,152,206</u>	<u>(136,559)</u>
Other income (expense):			
Gain on recovery of insurance proceeds	-	-	548,661
Net gain on acquisition of assets (note 16(c))	-	-	1,895,737
Loss on disposal of asset	-	-	(727,992)
	<u>-</u>	<u>-</u>	<u>1,716,406</u>
Annual surplus	303,190	1,152,206	1,579,847
Accumulated surplus, beginning of year		35,663,502	34,147,934
Transfer between funds		-	(64,279)
Accumulated surplus, end of year		<u>\$ 36,815,708</u>	<u>\$ 35,663,502</u>
Analyzed as follows:			
Operating surplus (including 100 common shares for \$10)		\$ 6,318,187	\$ 4,760,780
Invested in tangible capital assets		29,099,730	28,930,255
Reserve Fund (note 4)		1,397,791	1,972,467
Accumulated surplus, end of year		<u>\$ 36,815,708</u>	<u>\$ 35,663,502</u>

KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 8)	2022 Total	2021 Total
Revenue:			
Rents	\$ 2,688,925	\$ 2,856,540	\$ 1,491,462
Province of Ontario grant	168,000	167,945	167,945
Non-residential rents	133,815	133,815	132,228
Interest income	15,000	100,247	20,746
Non-rental revenue	—	—	39,695
	3,064,764	3,312,794	1,852,076
Expenses:			
Interest costs	486,294	473,948	385,915
Utilities	305,600	302,132	115,831
Municipal taxes	462,500	425,401	200,839
Maintenance expense	285,236	143,160	133,409
Salaries and benefits	133,382	308,800	42,084
Insurance	22,197	90,676	72,256
Professional services	21,126	38,654	54,013
Capital expense	309,000	94,815	23,413
Administration services and expenses	—	—	—
Bad debts	37,010	9,203	22,253
	2,062,346	1,886,790	1,050,013
Excess of revenue over expenses before the undernoted items	1,022,418	1,426,004	802,063
Amortization expense	855,287	859,646	678,532
Capital government grants (note 14)	—	(7,809,865)	(1,490,298)
	855,287	(6,950,219)	(811,766)
Annual surplus	147,131	8,376,223	1,613,829
Accumulated surplus, beginning of year		19,602,813	17,924,705
Transfer between funds		—	64,279
Accumulated surplus, end of year		\$ 27,979,036	\$ 19,602,813
Analyzed as follows:			
Operating surplus (deficit)		\$ 1,883,160	\$ (698,458)
Invested in tangible capital assets:			
Tangible capital assets		50,642,878	30,901,724
Long-term debt		(25,847,622)	(11,828,707)
Capital financing		708,651	711,545
		25,503,907	19,784,562
Reserve Fund (note 5)		591,969	516,709
		\$ 27,979,036	\$ 19,602,813

KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
	Total	Total
Revenue:		
Miscellaneous revenue	\$ 7,632	\$ –
Subsidy revenue	110,000	171,429
	<u>117,632</u>	<u>80,337</u>
Expenses:		
Maintenance expenses	7,993	438
Salaries and benefits	96,037	79,899
Services	155	–
	<u>104,185</u>	<u>80,337</u>
Excess of revenue over expenses	13,447	91,092
Accumulated surplus, beginning of year	105,991	14,899
Accumulated surplus, end of year	<u>\$ 119,438</u>	<u>\$ 105,991</u>