

Financial Statements of

**KINGSTON & FRONTENAC  
HOUSING CORPORATION**

Year ended December 31, 2019

# KINGSTON & FRONTENAC HOUSING CORPORATION

## Financial Statements

Year ended December 31, 2019

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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  
Finance & Administration Manager



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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, 2019
- 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, 2019, 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

April 27, 2020

# KINGSTON & FRONTENAC HOUSING CORPORATION



## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Current assets:		
Cash	\$ 4,081,563	\$ 2,108,635
Rents receivable	23,542	33,493
Other receivables	631,892	500,126
	<u>4,736,997</u>	<u>2,642,254</u>
Long-term investments (notes 2, 4 and 5)	1,306,472	1,136,097
	<u>6,043,469</u>	<u>3,778,351</u>
Financial liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,053,433	1,578,161
Accrued payroll and employee benefits	143,754	172,358
Current portion of long-term debt (note 3)	347,312	239,017
Prepaid rents	266,814	210,748
Deferred revenue	50,139	48,834
Subsidy paid in advance	564,095	611,975
Payable to the Corporation of the City of Kingston (note 6)	437,877	619,078
	<u>2,863,424</u>	<u>3,480,171</u>
Long-term debt (note 3)	8,420,940	5,769,382
	<u>11,284,364</u>	<u>9,249,553</u>
Net financial debt	(5,240,895)	(5,471,202)
Non-financial assets:		
Tangible capital assets (note 12)	54,782,247	51,982,050
Prepaid expenses	315,657	267,734
	<u>55,097,904</u>	<u>52,249,784</u>
Contingent liabilities (notes 6 and 10)		
Subsequent event (note 16)		
Accumulated surplus	\$ 49,857,009	\$ 46,778,582

See accompanying notes to financial statements.

On behalf of the Board:

 Chair Director  
 Vice Chair Director

# KINGSTON & FRONTENAC HOUSING CORPORATION

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 8)	2019 Total	2018 Total
<b>Revenue:</b>			
Local housing subsidy (note 13)	\$ 4,572,833	\$ 4,233,010	\$ 4,351,943
Rents	4,012,687	4,344,499	3,706,049
Rent supplement	3,224,148	2,918,055	2,987,846
Homelessness and portable subsidies	466,805	561,031	471,645
Province of Ontario grant	168,000	167,945	167,945
Non-rental revenue	308,910	343,553	177,815
Government grants	—	—	2,570
Fees (note 15)	823,840	970,788	188,305
Interest income	28,800	147,924	69,221
	13,606,023	13,686,805	12,123,339
<b>Expenses:</b>			
Rent supplement program costs	3,690,953	3,479,086	3,459,491
Salaries and benefits	2,023,008	1,950,885	1,870,645
Municipal taxes	1,866,055	1,835,165	1,764,009
Maintenance expense	1,028,671	993,999	803,152
Utilities	1,034,108	832,510	859,546
Capital expenses	1,398,670	1,639,929	1,132,582
Amounts recognized as tangible capital assets	—	(1,334,034)	(915,745)
Professional services	257,180	277,219	314,040
Management expenses (note 15)	823,840	886,730	186,213
Interest on long-term debt	402,560	341,836	288,078
Insurance	257,314	297,630	255,954
Administration services and expenses	168,885	179,841	170,294
Bad debts	33,477	49,736	28,070
	12,984,721	11,430,532	10,216,329
<b>Excess of revenue over expenses before the undernoted items</b>	<b>621,302</b>	<b>2,256,273</b>	<b>1,907,010</b>
Amortization expense	584,636	1,813,247	1,627,413
Capital government grants (note 14)	—	(2,635,231)	(1,638,233)
	584,636	(821,984)	(10,820)
<b>Annual surplus</b>	<b>36,666</b>	<b>3,078,257</b>	<b>1,917,830</b>
<b>Accumulated surplus, beginning of year</b>		<b>46,778,752</b>	<b>44,860,752</b>
<b>Accumulated surplus, end of year (schedules 1 and 2)</b>		<b>\$ 49,857,009</b>	<b>\$ 46,778,582</b>

See accompanying notes to financial statements.



# KINGSTON & FRONTENAC HOUSING CORPORATION

## Statement of Change in Net Financial Debt

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 8)	2019 Total	2018 Total
Annual surplus	\$ —	\$ 3,078,257	\$ 1,917,830
Acquisition of tangible capital assets	—	(4,613,274)	(6,027,767)
Amortization of tangible capital assets	—	1,813,247	1,627,413
Change in prepaid expenses	—	(47,923)	(21,198)
Net change in net financial assets	—	230,307	(2,503,722)
Net financial debt, beginning of year		(5,471,202)	(2,967,480)
Net financial debt, end of year		\$ (5,240,895)	\$ (5,471,202)

See accompanying notes to financial statements.

# KINGSTON & FRONTENAC HOUSING CORPORATION

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,078,257	\$ 1,917,830
Amortization, which does not involve cash	1,813,247	1,627,413
	4,891,504	3,545,243
Change in non-cash assets and liabilities:		
Rents receivable	9,951	(9,622)
Other receivables	(131,766)	496,731
Prepaid expenses	(47,923)	(21,198)
Accounts payable and accrued liabilities	(524,728)	673,795
Accrued payroll and employee benefits	(28,604)	55,424
Prepaid rents	56,066	41,486
Deferred revenue	1,305	4,366
Subsidy paid in advance	(47,880)	(48,338)
Payable to the Corporation of the City of Kingston	(181,201)	323,132
	(894,780)	1,515,776
	3,996,724	5,061,019
Capital activities:		
Cash used to acquire tangible capital assets	(4,613,274)	(6,027,767)
Financing activities:		
Proceeds of long-term debt	2,996,358	—
Principal repayment of long-term debt	(236,505)	(228,265)
	2,759,853	(228,265)
Investing activities:		
Increase in long-term investments	(170,375)	(134,232)
Increase (decrease) in cash	1,972,928	(1,329,245)
Cash, beginning of year	2,108,635	3,437,880
Cash, end of year	\$ 4,081,563	\$ 2,108,635

See accompanying notes to financial statements.

# KINGSTON & FRONTENAC HOUSING CORPORATION

## Notes to Financial Statements

Year ended December 31, 2019

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

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

### 1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by 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, 2019.

#### (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, 2019

## 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
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, 2019

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## 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, 2019 is \$1,306,472 (2018 - \$1,136,097), with a portion of this amount relating to the Affordable Housing Project of \$347,483 (2018 - \$276,692).

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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

	2019	2018
5.421% Mortgage payable in monthly blended instalments of \$29,240, due February 15, 2028, secured by 119 & 129 Van Order Drive	\$ 3,751,627	\$ 3,897,139
3.59% Mortgage payable in monthly blended instalments of \$3,390, due October 15, 2032, secured by 233 Queen Mary Road	417,910	443,103
3.41% Mortgage payable in monthly blended instalments of \$10,345, due December 20, 2036, secured by 40 Cliff Crescent	1,599,844	1,668,157
3.48% Mortgage payable in monthly blended instalments of \$3,260, due March 26, 2049, secured by 28 Cliff Crescent	717,385	—
3.41% Mortgage payable in monthly blended instalments of \$10,078, due May 28, 2049, secured by 645 Brock Street	2,243,973	—
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	—
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	2,513	—
	8,768,252	6,008,399
Current portion of long-term debt	(347,312)	(239,017)
	\$ 8,420,940	\$ 5,769,382

The minimum scheduled principal repayments are as follows: 2020 - \$347,312; 2021 - \$323,707; 2022 - \$338,268; 2023 - \$353,518; 2024 - \$369,524; 2025 and thereafter - \$7,035,923.

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, 2019

## 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.

	2019	2018
Balance, beginning of year	\$ 895,956	\$ 858,194
Allocation from operations	1,398,670	1,384,036
Capital grant funding	(1,425,318)	(1,343,580)
	(26,648)	40,456
Unrealized gain (loss) on investments	63,034	(2,694)
	63,034	(2,694)
Excess of revenue over expenses	36,386	37,762
Balance, end of year	\$ 932,342	\$ 895,956

Long-term investments in the amount of \$958,989 (2018 - \$859,406) 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 \$26,647 (2018 - transfer in of \$36,550).

## 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.

	2019	2018
Balance, beginning of year	\$ 276,692	\$ 229,226
Net transfer from operations	67,006	44,500
Interest earned	3,785	2,966
Balance, end of year	\$ 347,483	\$ 276,692

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 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 \$437,877 (2018 - \$619,078) has been reported on the Statement of Financial Position with respect to an estimate of the balance of subsidy revenue to be paid to the Service Manager as follows:

	Operating	Rent Supplement	Portable Housing	2019	2018
Subsidy advances received	\$ 4,425,179	\$ 3,462,278	\$ 94,442	\$ 7,981,899	\$ 8,141,122
Allowable expenses	4,233,010	3,386,592	94,494	7,712,096	7,811,434
Payable to the Corporation of the City of Kingston	192,169	75,686	1,948	269,803	329,688
Prior year payment of subsidy	(451,004)	—	—	(451,004)	(6,556)
Beginning balance of subsidy payable	530,966	88,112	—	619,078	295,946
Ending balance of subsidy payable	\$ 272,131	\$ 163,798	\$ 1,948	\$ 437,877	\$ 619,078

## 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, 2019 this amount was undrawn (2018 - undrawn) and \$Nil interest expense (2018 - \$Nil) was recorded.



# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 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 Pension Fund (OMERS) which is a multi-employer plan, on behalf of 28 (2018 - 24) members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Since any surpluses or deficits are a joint responsibility of all Ontario employers and their employees, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these financial statements. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2019 disclosed actuarial assets of \$104,290 million with accrued pension liabilities of \$107,687 million, resulting in an actuarial deficit of \$3,397 million.

The amount contributed to OMERS for 2019 was \$146,242 (2018 - \$127,092) 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, 2019, management believes that the Corporation has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Corporation's financial position.
- (b) In 2006 the Corporation entered into a contribution agreement with the Minister of Municipal Affairs and Housing ("the Minister") for the funding of an affordable housing capital project located at 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.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 10. Contingent liabilities (continued):

### (b) (continued):

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.

- (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.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 10. Contingent liabilities (continued):

(d) (continued):

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-geared-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.

- (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.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 10. Contingent liabilities (continued):

- (g) In 2017 the Corporation entered into a contribution agreement with the Corporation of the City of Kingston for the funding of ten rent-geared-to-income units in an affordable housing capital project located at 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.

- (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.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 10. Contingent liabilities (continued):

- (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.

- (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.

## 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.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 11. Fair value of financial instruments (continued):

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.

## 12. Tangible capital assets:

### (a) Assets under construction:

The balance of assets under construction in 2019 is \$3,269,934 (2018 - \$6,780,962).

### (b) Cost:

Cost	Balance December 31, 2018	Additions	Transfers	Balance December 31, 2019
Land - Rent Geared to Income	\$ 9,919,260	\$ -	\$ (9,333)	\$ 9,909,927
Land - Queen Mary Road	180,000	-	-	180,000
Land - Van Order Drive	342,000	-	-	342,000
Land - Cliff Crescent	52,964	-	-	52,964
Land - 28 Cliff Crescent	-	-	9,333	9,333
Land - Brock Street	-	-	342,000	342,000
Land improvement - Rent Geared to Income	2,078,820	43,967	-	2,122,787
Land improvement - Queen Mary Road	114,950	-	-	114,950
Land improvement - Van Order Drive	120,630	-	-	120,630
Land improvement - Cliff Crescent	141,600	-	-	141,600
Land improvement - Brock Street	-	-	197,585	197,585
Building - Rent Geared to Income	33,424,058	1,290,066	-	34,714,124
Building - Queen Mary Road	4,496,149	-	-	4,496,149
Building - Van Order Drive	7,400,877	-	-	7,400,877
Building - 20 Cliff Crescent	4,496,072	-	-	4,496,072
Building - 28 Cliff Crescent	-	-	1,977,851	1,977,851
Building - Brock Street	-	-	4,273,003	4,273,003
Assets under construction	6,780,962	3,279,411	(6,790,439)	3,269,934
	<b>\$ 69,548,342</b>	<b>\$ 4,613,444</b>	<b>\$ -</b>	<b>\$ 74,161,786</b>

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 12. Tangible capital assets (continued):

(c) Accumulated amortization:

Accumulated amortization	Balance December 31, 2018	Disposals	Amortization	Balance December 31, 2019
Land improvement - Rent Geared to Income	\$ 926,819	\$ -	\$ 73,144	\$ 999,963
Land improvement - Queen Mary Road	24,589	-	3,832	28,421
Land improvement - Van Order Drive	44,231	-	4,021	48,252
Land improvement - Cliff Crescent	11,407	-	4,720	16,127
Land improvement Brock Street	-	-	3,842	3,842
Building - Rent Geared to Income	13,482,944	-	1,202,886	14,685,830
Building - Queen Mary Road	722,519	-	112,405	834,924
Building - Van Order Drive	2,082,145	-	184,236	2,266,381
Building - 20 Cliff Crescent	271,638	-	112,402	384,040
Building - 28 Cliff Crescent	-	-	49,446	49,446
Building - Brock Street	-	-	62,313	62,313
	\$ 17,566,292	\$ -	\$ 1,813,247	\$ 19,379,539

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 12. Tangible capital assets (continued):

(d) Net book value:

	Net book value December 31, 2018	Net book value December 31, 2019
Land - Rent Geared to Income	\$ 9,919,260	\$ 9,909,927
Land - Queen Mary Road	180,000	180,000
Land - Van Order Drive	342,000	342,000
Land - 20 Cliff Crescent	52,964	52,964
Land - 28 Cliff Crescent		9,333
Land - Brock Street		342,000
Land improvement - Rent Geared to Income	1,152,001	1,122,824
Land improvement - Queen Mary Road	90,361	86,529
Land improvement - Van Order Drive	76,399	72,378
Land improvement - Cliff Crescent	130,193	125,473
Land improvement - Brock Street		193,743
Building - Rent Geared to Income	19,941,114	20,028,294
Building - Queen Mary Road	3,773,630	3,661,225
Building - Van Order Drive	5,318,732	5,134,496
Building - 20 Cliff Crescent	4,224,434	4,112,032
Building - 28 Cliff Crescent		1,928,405
Building - Brock Street		4,210,690
Assets under construction	6,780,962	3,269,934
	<b>\$ 51,982,050</b>	<b>\$ 54,782,247</b>

## 13. Local housing subsidy:

Rent supplement administration subsidy of \$177,773 (2018 - \$173,827) 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, 2019

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

(a) In 2017, the Corporation commenced construction of a new affordable housing building located at 645 Brock Street. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$2,500,000 in this regard of which \$316,955 (2018 - \$537,000) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.

(b) In 2018, the Corporation commenced construction of a new rent geared to income building located at 28 Cliff Crescent. The Corporation of the City of Kingston agreed to provide the Corporation with aggregate funding of \$1,200,000 in this regard of which \$178,767 (2018 - \$1,021,233) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.

In addition, in 2018, the Corporation entered into a Seed Funding Contribution Agreement with The Corporation of the City of Kingston in the amount of \$50,000 related to 28 Cliff Crescent, which is included on the Statement of Operations and Accumulated Surplus.

(c) 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 \$1,312,208 (2018 - \$Nil) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.

In 2019, the Corporation entered into a Seed Funding Contribution Agreement with The Corporation of the City of Kingston in the amount of \$35,000 (2018 - \$30,000) related to 1 Curtis Crescent which is included on the Statement of Operations and Accumulated Surplus.

(d) 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 \$748,301 (2018 - \$Nil) was recorded in the year and is included on the Statement of Operations and Accumulated Surplus.

In 2019, the Corporation entered into Seed Funding Contribution Agreement with the Corporation of the City of Kingston in the amount of \$9,000 related to 20 Cliff Crescent which is included on the Statement of Operations and Accumulated Surplus.

(e) In 2019, the Corporation entered into a Seed Funding Contribution Agreement with The Corporation of the City of Kingston in the amount of \$35,000 related to 27 Wright Project which is included on the Statement of Operations and Accumulated Surplus. The Corporation is in the process of entering into a contribution agreement with The Corporation of the City of Kingston with regard to this project.

# KINGSTON & FRONTENAC HOUSING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 15. Kingston Municipal Non-Profit Housing Corporation:

On November 1, 2018, the Corporation entered into an agreement with Kingston Municipal Non-Profit Housing Corporation ("KMNPHC") to provide management services for maintenance, repair and cleaning services. In 2019, the Corporation also entered into an additional agreement with KMNPHC to provide finance and administrative related services. Total fees billed to KMNPHC during the year amounted to \$970,788 (2018 - \$188,305) and is included as a component of revenue on the Statement of Operations and Accumulated Surplus. The amount of related expenses incurred in the year was \$886,730 (2018 - \$186,213) and is included as a component of expenses on the Statement of Operations and Accumulated Surplus.

## 16. Subsequent event:

Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporary declines in the fair market value of investments
- Uncertainty around the collectability of receivables
- Potential human resource claims as the Corporation is deemed an essential service by the Province
- Potential increase in annual maintenance costs as work orders are being executed on emergency only, resulting in an expected backlog

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

## 17. Adoption of new accounting policy:

On January 1, 2019, the Corporation adopted Canadian public sector accounting standard PS 3430 Restructuring transactions. The adoption of this standard did not result in an accounting policy change for the Corporation and did not result in any adjustments to the financial statements as at January 1, 2019.

# KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 8)	2019 Total	2018 Total
<b>Revenue:</b>			
Rents	\$ 2,839,877	\$ 3,168,597	\$ 2,850,619
Local housing subsidy (note 13)	4,572,833	4,233,010	4,351,943
Rent supplement	3,224,148	2,788,885	2,987,846
Homelessness and portable subsidies	466,805	561,031	471,645
Non-rental revenue	135,884	163,372	148,495
Government grants	—	—	—
Interest income	20,000	103,587	31,781
	<b>11,259,547</b>	<b>11,018,482</b>	<b>10,842,329</b>
<b>Expenses:</b>			
Rent supplement program costs	3,690,953	3,479,086	3,459,491
Salaries and benefits	1,971,669	1,906,725	1,838,822
Municipal taxes	1,685,523	1,674,574	1,645,507
Capital expenses	1,398,670	1,636,319	1,132,583
Maintenance expense	931,850	903,085	751,975
Utilities	902,708	714,925	747,842
Professional services	248,122	136,293	431,609
Insurance	227,690	268,014	232,308
Administration services and expenses	168,885	179,092	169,542
Bad debts	33,477	47,540	28,070
Interest costs	—	209	—
Amounts recognized as tangible capital assets	—	(1,334,034)	(915,745)
	<b>11,259,547</b>	<b>9,611,828</b>	<b>9,522,004</b>
<b>Excess of revenue over expenses before the undernoted item</b>	<b>—</b>	<b>1,406,654</b>	<b>1,320,325</b>
<b>Amortization expense</b>	<b>—</b>	<b>1,276,028</b>	<b>1,205,800</b>
<b>Annual surplus</b>	<b>—</b>	<b>130,626</b>	<b>114,525</b>
<b>Accumulated surplus, beginning of year</b>		<b>33,864,536</b>	<b>33,750,011</b>
<b>Transfer between funds</b>		<b>(9,333)</b>	<b>—</b>
		<b>33,855,203</b>	<b>33,750,011</b>
<b>Accumulated surplus, end of year</b>		<b>\$ 33,985,829</b>	<b>\$ 33,864,536</b>
<b>Analyzed as follows:</b>			
Operating surplus (including 100 common shares for \$10)		\$ 1,992,441	\$ 1,849,195
Invested in tangible capital assets		31,061,046	31,119,385
Reserve Fund (note 4)		932,342	895,956
<b>Accumulated surplus, end of year</b>		<b>\$ 33,985,829</b>	<b>\$ 33,864,536</b>

# KINGSTON & FRONTENAC HOUSING CORPORATION

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

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 8)	2019 Total	2018 Total
Revenue:			
Rents	\$ 1,172,810	\$ 1,175,902	\$ 855,430
Province of Ontario grant	168,000	167,945	167,945
Non-residential rents	129,170	129,170	126,886
Interest income	8,800	44,338	37,440
Government grants	—	—	2,570
Non-rental revenue	43,856	51,011	29,320
	1,522,636	1,568,366	1,219,591
Expenses:			
Interest costs	402,560	341,627	288,078
Utilities	131,400	117,585	111,703
Municipal taxes	180,532	160,591	118,502
Maintenance expense	96,821	90,915	51,177
Salaries and benefits	51,339	44,160	31,823
Insurance	29,624	29,616	23,646
Professional services	9,058	11,757	9,317
Administration services and expenses	—	576	752
Capital expense	—	3,610	—
Bad debts	—	2,196	—
	901,334	802,633	634,998
Excess of revenue over expenses before the undernoted items	621,302	765,733	584,593
Amortization expense		537,219	421,613
Capital government grants (note 14)		(2,635,231)	(1,638,233)
		(2,098,012)	(1,216,620)
Annual surplus		2,863,745	1,801,213
Accumulated surplus, beginning of year		12,911,952	11,110,739
Transfer between funds		9,333	—
		12,921,285	11,110,739
Accumulated surplus, end of year		\$ 15,785,030	\$ 12,911,952
Analyzed as follows:			
Operating deficit		\$ (206,506)	\$ (2,887,676)
Invested in tangible capital assets:			
Tangible capital assets		23,721,201	20,862,665
Long-term debt		(8,768,252)	(6,008,399)
Capital financing		691,104	668,670
		15,437,547	12,635,260
Reserve Fund (note 5)		347,483	276,692
		\$ 15,785,030	\$ 12,911,952