



**City of Kingston
Information Report to Council
Report Number 18-376**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Sheldon Laidman, Director, Housing & Social Services
Date of Meeting: November 6, 2018
Subject: Status Update on Town Homes Kingston Project in Difficulty

Executive Summary:

On July 23, 2018, the Service Manager exercised its authority under the Housing Services Act to declare Kingston Municipal Non-Profit Housing Corporation (Town Homes Kingston) a Project in Difficulty in order to stabilize this important municipally owned housing provider and to respond to imminent life safety concerns. This was exercised through a Notice of Triggering Event and Notice of Decision to Invoke a Remedy. The 2018 operational review of Town Homes Kingston (THK), conducted by the Service Manager, found numerous significant issues surrounding financial stability, governance, and health and safety with the operation of THK, which formed the basis of this decision. Council, sitting as the members of THK, on August 7, 2018 endorsed in principle a merger between THK and Kingston and Frontenac Housing Corporation (KFHC).

This report is intended to provide Council with an update on the current status of THK and the provisions and changes put into place in the past three months. While health and safety were the immediate priority, maintenance and ongoing deficit reduction have become the two areas of focus. KPMG had previously identified operating deficits three of the past four years; however, the recently completed 2017 audited statement found a deficit of \$180,449 and that THK's accumulated surplus has been entirely depleted. Cost reduction initiatives have been put into place but will not be able to solve a further anticipated deficit of over \$200,000 for 2018. This anticipated 2018 deficit will need to be funded from the proceeds of the refinancing of Eldon Hall, which is a non-social housing complex also owned by THK.

This report also serves to meet a requirement of Section 92(18) of the Housing Services Act (HSA) whereby a status report must be provided every quarter when a Service Manager exercises this authority under the HSA.

November 6, 2018

Page 2 of 6

Recommendation:

This report is for information purposes only.

November 6, 2018

Page 3 of 6

Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

Lanie Hurdle, Commissioner, Community Services

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	√
Denis Leger, Commissioner, Corporate & Emergency Services	Not required

November 6, 2018

Page 4 of 6

Options/Discussion:

The Service Manager exercised its authority on July 23, 2018 to issue a Notice of Triggering Events under Section 83 of the HSA. Through this Notice of Triggering Events, the Service Manager invoked the remedy of acting as the housing provider with respect to all or part of the assets, liabilities and undertakings of the housing provider including its housing projects pursuant to Section 85 of the HSA. This process is generally referred to as declaring the housing provider as a 'Project in Difficulty'. This remedy was invoked immediately on July 23rd with no notice required as the Service Manager believed THK had been operating in a way that resulted in danger to the health and safety of its residents.

The notice provided stated the Service Manager's intent to stabilize the finances, governance, and health and safety issues of THK. This report provides an update on the progress made to date.

Health and Safety

During the operational review conducted on THK it was discovered that all three multi-residential buildings did not have valid and up to date fire safety plans. Fire safety plans have now been completed and approved by the Fire Department for the apartment buildings at Cassidy Street, Battersea Road and Rideau Street, as required. Upon taking over the management of THK, it was further discovered that there were extensive operational issues with the fire safety systems at Rideau Towers and Cassidy Street. At Rideau Towers, which is physically connected to the City-owned Rideaucrest Home long-term care facility, the fire pump connected to the sprinkler systems was found to have been inoperative for some time. A fire watch was required to be put in place while parts were ordered and the system made fully operational. The fire watch consisted of a combination of hiring Commissionaire support, THK staff and relying upon volunteer tenants for an approximate two week period. At Cassidy Street it was found that parts were required for the fire sprinkler systems to operate properly. Parts were ordered and installed and the fire safety system is now functioning properly.

Maintenance

The area of maintenance has become the primary focus of the interim Executive Director and the Service Manager in the past three months. A significant backlog of maintenance requests was uncovered, with inadequate means by which to prioritize and ensure follow through with tenants. The cost of the privatized maintenance contract was also found to be extremely burdensome and unsustainable financially. Administration costs were high compared to the amount of funds available to actually undertake maintenance work to ensure units and buildings were maintained adequately. Some of the challenges of managing social housing were also not fully understood by the company. The number of outstanding work orders was substantial and little proactive type maintenance was being identified and dealt with. A decision was made to end this maintenance contract and enter into a contract with KFHC starting on November 1st. This new contract will reduce administration costs and ensure that unit maintenance can be done to the same standard as KFHC's larger unit portfolio. It will also allow for a more streamlined and tenant focused maintenance request and follow-up process.

November 6, 2018

Page 5 of 6

It has also become abundantly clear that major capital works necessary to properly maintain the buildings within the THK portfolio have not been done or planned for appropriately. This has resulted in major works needing to be authorized already that were not budgeted for. KFHC and their management staff have begun working with THK management and the Service Manager to prioritize capital works for 2019 according to building condition assessments and to prepare revised budgets.

Finances

It was determined through a report from KPMG, who was hired by the Service Manager, that THK was in a deficit position three of the previous four audited years. The draft 2017 audit at the time was indicating a \$22,850 deficit. Due to a poorly managed change in accounting software, the 2017 audit was only finalized at the beginning of November and indicates a \$180,449 operating deficit. A projection of THK's 2018 financial position indicates the deficit for 2018 will exceed \$200,000. Measures taken to date in order to reign in current expenditures include downsizing of the staff compliment, reduction in the use of private legal counsel for human resource matters, a review of existing unit vacancies, a review of how unit vacancies are filled to reduce vacancy revenue loss, the cancellation of the maintenance contract and replacement with an agreement with KFHC to provide all maintenance. The following is a quote from the 2017 Audit: "Without qualifying our opinion, we draw attention to note 2(d) of the financial statements, which indicates that the Corporation has sustained recurring operating losses. This condition, along with other matters set out in note 2(d), indicate the existence of a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern." THK's available accumulated surplus has also been entirely depleted and will not be able to sustain deficits going forward. The deficit for 2018 will now need to be covered through proceeds from the previous refinancing of Eldon Hall.

Governance and Administration

A number of items, both technical and operational in nature, have been accomplished and put into place to ensure the effective operation of THK's extensive portfolio of housing units. Formal paperwork has been submitted to the Province to have all previous Board members names removed to reflect the current composition of the Board. Previous Board members had been found to still be actively shown as Board members on the provincial registry.

An interim Executive Director has been put into place by the Service Manager who has extensive experience working directly in social housing and in other managerial roles. Financial oversight and other expenditure controls have been implemented and require Service Manager approval or delegation as deemed appropriate. A right sizing of the administration staffing compliment has been undertaken. A reorganization of responsibilities within tenant services has occurred to ensure less vacancy loss, improved coordination of maintenance needs with KFHC and better tenant engagement.

Existing Policy/By-Law:

Housing Services Act

November 6, 2018

Page 6 of 6

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

The draft audited financial statement for THK has been included as Exhibit A. The main conclusion is an operating deficit for 2017 of \$180,449 and a realization that THK's entire accumulated operating surplus has been depleted and will no longer be available to offset any future operating deficits. The most significant reasons behind this deficit were increases in administrative costs primarily a result of its maintenance services contract, increases related to long term debt and uncollectable rent arrears.

The auditor has stated their opinion that recurring deficits cast a significant doubt on THK's ability to continue as a going concern. In addition to the operating deficit, the auditor has determined that based upon the amount of the budget going towards debt servicing, the amount of funding left available for capital repairs has been minimal. This has left a significant capital repair liability with few options to fund these needs. Further compounding this problem will be the 2018 anticipated deficit of over \$200,000 which, out of necessity, will need to be offset through funds generated through the refinancing of Eldon Hall. This will reduce the funds available to be able to properly maintain this property. Changes put into place in the past three months have not been able to be undertaken soon enough to guard against a significant deficit for the 2018 year.

Contacts:

Lanie Hurdle, Commissioner, Community Services 613-546-4291 extension 1231

Sheldon Laidman, Director, Housing & Social Services 613-546-4291 extension 4957

Other City of Kingston Staff Consulted:

Not applicable

Exhibits Attached:

Exhibit A Kingston Municipal Non Profit Housing Corporation Draft Financial Statement Year Ended December 31, 2017

**KINGSTON MUNICIPAL NON-PROFIT
HOUSING CORPORATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Independent Auditor’s Report.....	1
Statement of Financial Position.....	3
Statement of Operations and Surplus	4
Statement of Cash Flow	5
Notes to Financial Statements	6
Schedules:	
A Administrative Overhead	18
B Materials and Services.....	19
C Utilities.....	19
D Replacement Reserve Fund – Municipal	20
E Replacement Reserve Fund – Eldon Hall	21
F Marguerite Bourgeoys Place Development Fund	22

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kingston Municipal Non-Profit Housing Corporation

We have audited the accompanying financial statements of Kingston Municipal Non-Profit Housing Corporation which comprise the statement of financial position as at December 31, 2017 and the statements of operations and surplus and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management to comply with the operating agreement between the Corporation and the Ontario Ministry of Municipal Affairs and Housing and guidance in its application issued by the Department of Community Services Housing Division of the City of Kingston.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the operating agreement with the Ontario Ministry of Municipal Affairs and Housing and guidance in its application issued by the Department of Community Services Housing Division of the City of Kingston, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Kingston Municipal Non-Profit Housing Corporation as at December 31, 2017, and the results of its operations and cash flow for the year then ended in accordance with the operating agreement with the Ontario Ministry of Municipal Affairs and Housing and guidance in its application issued by the Department of Community Services Housing Division of the City of Kingston.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2(d) of the financial statements, which indicates that the Corporation has sustained recurring operating losses. This condition, along with other matters set out in note 2(d), indicate the existence of a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Kingston Municipal Non-Profit Housing Corporation to comply with the reporting provisions of the operating agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the directors of the Corporation and the City of Kingston as service provider for the Ontario Ministry of Municipal Affairs and Housing and should not be used by any other parties.

Chartered Professional Accountants
Licensed Public Accountants
Kingston, Ontario
Date

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 2017

	<u>Municipal</u>	<u>Eldon Hall</u>	<u>Restricted</u> <u>Funds</u>	<u>2017</u>	<u>2016</u>
Assets					
Current Assets					
Cash	\$ 270,538		\$ 16,637	\$ 287,175	\$ 183,961
Marketable securities (note 3)	235,110	\$ 376,934	3,018,040	3,630,084	3,650,238
Accounts receivable	37,741	21,795	72	59,608	165,768
Taxes recoverable	77,748	17,007	6,517	101,272	82,629
Prepaid expenses	76,452	116,569		193,021	196,762
Receivable from Municipal Fund		172,741	48,563	221,304	22,869
Receivable from Eldon Hall Fund			24,257	24,257	35,132
Receivable from Marguerite Fund	20,351			20,351	20,871
	717,940	705,046	3,114,086	4,537,072	4,358,230
Capital Assets (note 4)	11,733,869	1,642,660		13,376,529	14,215,675
	\$ 12,451,809	\$ 2,347,706	\$ 3,114,086	\$ 17,913,601	\$ 18,573,905
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 210,528	\$ 118,055	\$ 25,419	\$ 354,002	\$ 291,427
Other amounts payable	27,354		55,021	82,375	6,970
Subsidy payable (note 6)	63,380			63,380	29,366
Deferred revenue (note 7)	186,619	30,236		216,855	254,515
Accrued interest	38,595	9,019		47,614	45,185
Payable to Eldon Hall Fund	172,741			172,741	18,186
Payable to Replacement Reserve Fund	44,592	7,724		52,316	39,815
Payable to Municipal Fund			20,351	20,351	20,871
Payable to Marguerite Bourgeoys Place Development Fund	3,971	16,533		20,504	-
	747,780	181,567	100,791	1,030,138	706,335
Long-Term Debt					
Mortgages payable (note 8)	11,072,364	3,288,357		14,360,721	15,305,842
Obligations under capital lease (note 9)	661,506	204,136		865,642	695,379
	12,481,650	3,674,060	100,791	16,256,501	16,707,556
Net Assets (Deficit)					
Equity on designated fund		56,198		56,198	56,198
Accumulated operating surplus (deficit)	(29,841)	(1,382,552)		(1,412,393)	402,058
Restricted			3,013,295	3,013,295	1,408,093
	(29,841)	(1,326,354)	3,013,295	1,657,100	1,866,349
	\$ 12,451,809	\$ 2,347,706	\$ 3,114,086	\$ 17,913,601	\$ 18,573,905
Contingent Liabilities (note 12)					
Commitments (note 16)					
Subsequent Events (note 18)					

Approved on behalf of the Board

Director

Director

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

STATEMENT OF OPERATIONS AND SURPLUS

YEAR ENDED DECEMBER 31, 2017

	2017				2016	
	<u>Municipal</u>	<u>Eldon Hall</u>	<u>Restricted Funds</u>	<u>Total Actual</u>	<u>Total Budget</u>	<u>Total Actual</u>
Revenues						
Rental						
Market tenants	\$ 660,192	\$ 828,768		\$ 1,488,960	\$ 1,450,684	\$ 1,428,819
Highest need	1,023,706	33,737		1,057,443	1,113,764	1,069,752
	<u>1,683,898</u>	<u>862,505</u>		<u>2,546,403</u>	<u>2,564,448</u>	<u>2,498,571</u>
Government rent subsidies (note 6)	2,319,185	34,688		2,353,873	2,346,425	2,315,390
Non-rental revenue	58,592	5,635		64,227	92,350	46,381
Investment income	2,663	5,453	\$ 36,707	44,823		41,820
Transfers from operating			273,290	273,290		268,247
Grant funding			560,743	560,743		67,312
	<u>4,064,338</u>	<u>908,281</u>	<u>870,740</u>	<u>5,843,359</u>	<u>5,003,223</u>	<u>5,237,721</u>
Expenses						
Administrative overhead (schedule A)	451,242	123,648		574,890	669,062	384,177
Amortization	997,977	45,638		1,043,615	976,594	1,012,038
Insurance	74,081	24,127		98,208	92,069	89,517
Interest on long-term debt	504,480	185,764		690,244	624,111	595,486
Transfer to replacement reserve funds	273,290	-		273,290	273,290	303,247
Materials and services (schedule B)	808,853	245,469		1,054,322	892,277	972,387
Municipal taxes	719,544	178,330		897,874	962,137	940,389
Utilities (schedule C)	317,212	131,719		448,931	495,850	549,738
Bad debts	59,246	12,448		71,694	17,833	9,999
Capital expenses			885,538	885,538		310,471
	<u>4,205,925</u>	<u>947,143</u>	<u>885,538</u>	<u>6,038,606</u>	<u>5,003,223</u>	<u>5,167,449</u>
Excess (deficiency) of revenues over expenses	(141,587)	(38,862)	(14,798)	(195,247)		70,272
AIR surplus adjustment	(14,002)			(14,002)		
Interfund transfers (note 17)		(1,620,000)	1,620,000	-		
Accumulated surplus at beginning of year	125,748	276,310	1,408,093	1,810,151		1,739,879
Accumulated surplus (deficit) at end of year	<u>\$ (29,841)</u>	<u>\$ (1,382,552)</u>	<u>\$ 3,013,295</u>	<u>\$ 1,600,902</u>	<u>\$ -</u>	<u>\$ 1,810,151</u>

See accompanying notes to financial statements

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Cash flow from (used in) operating activities		
Excess (deficiency) of revenues over expenses, operating	\$ (180,449)	\$ 2,966
Add (deduct) items not affecting cash		
Amortization	1,043,615	1,012,038
Transfer to replacement reserve funds	273,290	303,247
Transfer to Marguerite Bourgeoys Place development fund	<u>-</u>	<u>(50,132)</u>
	1,136,456	1,268,119
Changes in non-cash working capital balances		
Accounts receivable	106,160	(65,445)
Other amounts payable	27,354	-
Taxes recoverable	(18,643)	(10,689)
Prepaid expenses	3,741	(27,320)
Accounts payable and accrued liabilities	62,575	44,393
Deferred revenue	(37,660)	8,450
City of Kingston subsidy payable	20,012	41,587
Accrued interest	<u>2,429</u>	<u>(6,945)</u>
	<u>1,302,424</u>	<u>1,252,150</u>
Cash flow from (used in) financing and investing activities		
Repayment of mortgages payable, net	(979,327)	(2,259,727)
Proceeds of new mortgages, net of financing costs	-	3,269,373
Proceeds from seed funding loan	55,021	6,970
Net investment in marketable securities	20,154	(2,051,670)
Capital reserve expenditures	(785,623)	(256,942)
Development funding	560,743	32,312
Investment income	36,707	42,218
Development expenses	<u>(106,885)</u>	<u>(3,396)</u>
	<u>(1,199,210)</u>	<u>(1,220,862)</u>
Net increase in cash	103,214	31,288
Cash at beginning of year	<u>183,961</u>	<u>152,673</u>
Cash at end of year	<u>\$ 287,175</u>	<u>\$ 183,961</u>
Cash at end of year comprised of:		
Operating accounts	\$ 270,538	\$ 176,125
Marguerite Bourgeoys	<u>16,637</u>	<u>7,836</u>
	<u>\$ 287,175</u>	<u>\$ 183,961</u>

See accompanying notes to financial statements

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2017****1. Purpose of the Organization**

The Corporation is incorporated without share capital under the laws of Ontario. Its principal activity is the provision of non-profit housing.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with the significant accounting policies to comply with the operating agreement between the Corporation and the Ontario Ministry of Municipal Affairs and Housing and guidance in its application issued by the Social Housing Division of the City of Kingston. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as described in notes (a) to (c) below.

(a) Capital Assets

Land, buildings and equipment includes only the original cost incurred at the time of construction and included in the approved final capital cost of the project.

All replacements and refurbishments of assets are charged against the replacement reserve and expensed during period in which they are incurred.

(b) Amortization of Capital Assets

Capital assets are not amortized over the estimated useful lives of the related assets but rather at a rate equal to the annual principal reduction of the mortgage or capital lease obligation.

(c) Transfers to Replacement Reserve

Appropriations to/from replacement reserves are reported on the statement of operations and surplus. Expenditures made from replacement reserves are reported within these funds and not on the statement of operations and surplus. Interest income earned on investments of the replacement reserve are credited directly to the replacement reserve and are not reported on the statement of operations and surplus. To the extent that the replacement reserves receive funding directly from the Ministry of Municipal Affairs and Housing, or any other bodies, such funding is recognized as revenue in the replacement reserves when it becomes receivable.

Other Significant Accounting Policies**(d) Going Concern Basis of Accounting**

These financial statements have been prepared in accordance with accounting principles that apply to a going concern. Under the going concern assumption, an organization is viewed as being able to continue its operations in the foreseeable future and realized its assets and discharge its liabilities in the normal course of operations.

Certain unfavourable conditions raise material uncertainty as to the appropriateness of this assumption. The Corporation has incurred operating losses over the past few years in its Municipal Fund and has also identified significant future maintenance requirements. Though cash flow from operating activities is considerable (due in part to the magnitude of amortization included in the operating losses), this cash flow is largely committed to debt service, leaving only a portion of the funding for major repairs and replacement.

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION**NOTES TO FINANCIAL STATEMENTS (continued)****YEAR ENDED DECEMBER 31, 2017****2. Significant Accounting Policies (continued)****(d) Going Concern Basis of Accounting (continued)**

The Corporation's ability to continue as a going concern is dependant on its ability to increase operating surpluses to a level sufficient to fund major repairs and replacement costs over the longer term. This in turn is dependant on management's ability to manage operating costs within levels established by the service manager, and to identify other potential sources of funding for the major repairs and replacement costs.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate, adjustments would be necessary to the carrying value of the assets, the reported expenses and the balance sheet classifications used.

(e) Use of Accounting Standards for Not-for-Profit Organizations

As noted above, the Corporation prepares its financial statements in accordance with accounting policies established by the Ontario Ministry of Municipal Affairs and Housing. These accounting policies provide specific guidance in certain areas for adherents to follow, as described above. Outside of these specific areas, those following this accounting framework are instructed to follow the Canadian accounting standards for not-for-profit organizations that would otherwise be applicable at the time.

(f) Fund Accounting

The Corporation follows the restricted fund method of accounting for contributions.

The Municipal Fund was established to hold and operate the multi-unit residential properties that are subject to oversight and review by the City of Kingston as service manager for the Ontario Ministry of Municipal Affairs and Housing.

The Eldon Hall Fund was established to hold and operate multi-unit residential properties that are not subject to the same oversight and review as the Municipal Fund.

Restricted funds included in these financial statements include the following:

- (i) The Marguerite Fund was established in 2017 as a result of an external contribution, described more fully in note 11.
- (ii) The Replacement Reserve Funds are associated with both the Municipal portfolio and the Eldon Hall Portfolio respectively. These funds report the contributions from the respective operating funds and expenditures for major repairs and replacement costs of the buildings. Only major repairs and replacement costs associated with the buildings are charged directly to these reserve funds. Charges to the Municipal Replacement Reserve fund are undertaken in accordance with terms of the operating agreement with the City of Kingston.
- (iii) The Marguerite Bourgeoys Place Development Fund was established to plan and undertake the development of affordable housing units located at 7 Wright Crescent.

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION**NOTES TO FINANCIAL STATEMENTS (continued)****YEAR ENDED DECEMBER 31, 2017****2. Significant Accounting Policies (continued)****(g) Revenue Recognition - Rental Revenue**

Rental revenue for both market tenants and highest-need tenants is recognized on a monthly basis, as rent becomes due. In most cases, revenue recognition under a lease begins once the tenant has taken possession of the unit and ends when the tenant has vacated. For market tenants, the amount of rental revenue recognized each month is based on terms set out in the tenant's lease. For highest-need tenants, rental revenue is recognized based on monthly amounts due from the tenant, which are established by the Ministry of Municipal Affairs and Housing.

(h) Government Subsidies

The Social Housing Reform Act administered by the City of Kingston forms the basis for the operations of the Corporation and the subsidy payments received.

The City of Kingston approves the final subsidy after the financial statements and the annual information return have been submitted for the year.

Revenues and accounts receivable could change depending upon final review and approval by the City of Kingston. Any year-end adjustment resulting from the City of Kingston review will be reflected in the year of approval.

(i) Financial Instruments

Investments are initially recognized at fair value and then subsequently at fair value with gains and losses recognized in the statement of operations in the period in which the gain or loss occurs. Other financial instruments are recognized at amortized cost.

(j) Allocation of Expenses

The Corporation is engaged in the management of various multi-tenant residential properties. The Corporation's portfolio includes various rent-geared-to-income units that are administered by the City of Kingston as service manager ("Municipal") and others that are not ("Eldon Hall"). The majority of units in the Eldon Hall properties are market rent units. The revenues and expenses related to these two segments of the Corporation's tenancy base are presented separately on its financial statements.

There are certain expenses, including administrative salaries, insurance, maintenance wages and benefits and certain materials and services that are common to both segments. The maintenance wages and benefits costs and insurance expenses are allocated between the two segments in proportion to the number of rental units in each segment. Materials and services are allocated based on estimated effort incurred by vendors or contractors. Administrative salaries are allocated based on budgeted amounts.

In addition, the Corporation incurs wage and benefit costs for individuals who are tasked with administering the affairs of the Corporation as well as participating in the maintenance of its properties. The wage and benefit costs relating to these specific individuals are allocated between the administrative overhead and maintenance wages and benefits line items of the financial statements based on the estimated amount of time that these individuals spend addressing each function.

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2017

2. Significant Accounting Policies (continued)

(k) Leases

Leases are classified as either capital or operating in nature. Capital leases are those which substantially transfer the benefits and risk of ownership to the company. Assets acquired under capital leases are depreciated at the same rates as those described in note 2(b). Obligations recorded under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense as payments are made.

(l) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Marketable Securities

The Corporation holds the following marketable securities:

(a) Municipal Fund

	<u>2017</u>	<u>2016</u>
Social Housing Canadian short-term bond	\$ 114,499	\$ 115,541
Social Housing Canadian bond	<u>120,611</u>	<u>116,906</u>
	<u>\$ 235,110</u>	<u>\$ 232,447</u>

(b) Eldon Fund

	<u>2017</u>	<u>2016</u>
Social Housing Canadian short-term bond	\$ 183,567	\$ 1,024,039
Social Housing Canadian bond	<u>193,367</u>	<u>1,036,402</u>
	<u>\$ 376,934</u>	<u>\$ 2,060,441</u>

(c) Marguerite Fund

	<u>2017</u>	<u>2016</u>
Social Housing Canadian short-term bond	\$ 148,080	\$ 149,175
Social Housing Canadian bond	<u>155,985</u>	<u>150,975</u>
	<u>\$ 304,065</u>	<u>\$ 300,150</u>

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2017

3. Marketable Securities (continued)

(d) Replacement Reserve Fund - Municipal

	<u>2017</u>	<u>2016</u>
Social Housing Canadian short-term bond	\$ 362,628	\$ 343,631
Social Housing Canadian bond	<u>381,371</u>	<u>347,780</u>
	<u>\$ 743,999</u>	<u>\$ 691,411</u>

(e) Marguerite Bourgeoys Place Development Fund

	<u>2017</u>	<u>2016</u>
Guaranteed investment certificates, maturing November 2018, rates ranging from 1.4% to 1.7%	<u>\$1,600,000</u>	<u>\$ -</u>

(f) Replacement Reserve Fund - Eldon Hall

	<u>2017</u>	<u>2016</u>
Mutual funds and other	\$ 469	\$ 468
Social Housing Canadian short-term bond	179,950	181,565
Social Housing Canadian bond	<u>189,557</u>	<u>183,756</u>
	<u>\$ 369,976</u>	<u>\$ 365,789</u>

4. Capital Assets

(a) Capital Assets

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 2,383,415		\$ 2,383,415	\$ 2,383,415
Fees and charges	2,364,738		2,364,738	2,364,738
Building	23,101,784	\$14,167,510	8,934,274	9,943,684
Landscaping	48,704		48,704	48,704
Furniture and equipment	150,154		150,154	150,154
Assets under capital lease	<u>899,848</u>	<u>34,205</u>	<u>865,643</u>	<u>695,379</u>
	28,948,643	14,201,715	14,746,928	15,586,074
Less: capital grants and donations	<u>1,370,399</u>	<u>-</u>	<u>1,370,399</u>	<u>1,370,399</u>
	<u>\$27,578,244</u>	<u>\$14,201,715</u>	<u>\$13,376,529</u>	<u>\$ 14,215,675</u>

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2017

4. Capital Assets (continued)

(a) Capital Assets (continued)

Amortization of Capital Costs by Property

	Accumulated amortization of capital costs at <u>beginning of year</u>	Amortization of capital costs <u>for the year</u>	Accumulated amortization of capital costs at <u>end of year</u>
Rideau Street/Division Street	\$ 2,131,602	\$ 160,419	\$ 2,292,021
Patrick Street	3,172,014	244,860	3,416,874
Cassidy Street	2,217,658	220,129	2,437,787
Rideaucrest Towers	2,676,965	208,062	2,885,027
Country Pines	1,917,307	164,507	2,081,814
Eldon Hall	1,042,554	45,638	1,088,192
	<u>\$ 13,158,100</u>	<u>\$ 1,043,615</u>	<u>\$14,201,715</u>

(b) Municipal

	<u>2017</u>			<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 2,353,781		\$ 2,353,781	\$ 2,353,781
Fees and charges	2,364,738		2,364,738	2,364,738
Building	20,626,173	\$13,079,650	7,546,523	8,510,627
Landscaping	48,704		48,704	48,704
Furniture and equipment	129,017		129,017	129,017
Assets under capital lease	<u>695,378</u>	<u>33,873</u>	<u>661,505</u>	<u>695,379</u>
	26,217,791	13,113,523	13,104,268	14,102,246
Less capital grants and donations	<u>1,370,399</u>	<u>-</u>	<u>1,370,399</u>	<u>1,370,399</u>
	<u>\$24,847,392</u>	<u>\$ 13,113,523</u>	<u>\$11,733,869</u>	<u>\$12,731,847</u>

During the year, the Corporation acquired \$Nil (2016 - \$695,379) of capital assets by way of capital lease.

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2017

4. Capital Assets (continued)

(c) Eldon Hall

	2017			<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 29,634		\$ 29,634	\$ 29,634
Building	2,475,611	1,087,860	1,387,751	1,433,057
Furniture and equipment	21,137		21,137	21,137
Assets under capital lease	<u>204,470</u>	<u>332</u>	<u>204,138</u>	<u>-</u>
	<u>\$2,730,852</u>	<u>\$1,088,192</u>	<u>\$1,642,660</u>	<u>\$ 1,483,828</u>

During the year, the Corporation acquired \$204,470 (2016 - \$Nil) of capital assets by way of capital lease.

5. Overdraft

The Corporation has arranged an overdraft facility in the amount of \$250,000 with its chartered bank. The facility bears interest at the bank's prime rate plus 0.5%. At December 31, 2017 the facility is undrawn.

6. Government Subsidy Repayable

The Corporation is funded by the City of Kingston as Service Manager. The net subsidy receivable (repayable) from the City of Kingston is as follows:

	<u>2017</u>	<u>2016</u>
Net subsidy receivable (repayable)	<u>\$ (63,380)</u>	<u>\$ (29,366)</u>

Subsidies are adjusted to reflect the difference between the subsidy amounts to which the Corporation is entitled and the subsidies cash flowed during the year.

7. Deferred Revenue

Deferred revenue is composed of the following:

	<u>2017</u>	<u>2016</u>
Prepaid rents and deposits	\$ 16,715	\$ 58,980
Subsidy received in advance	183,060	195,535
Rebate on equipment purchase	<u>17,080</u>	<u>-</u>
	<u>\$216,855</u>	<u>\$254,515</u>

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2017

8. Mortgages Payable

	<u>2016</u>	<u>2015</u>
1.62% Mortgage, payable \$14,657 monthly including interest, due March 1, 2018 secured by a first charge on land and buildings (Rideau Street and Division Street)	\$ 871,417	\$ 1,031,835
5.972% Mortgage, payable \$29,594 monthly including interest, due May 1, 2028, secured by a first charge on land and buildings (Cassidy Street)	2,761,118	2,947,375
2.09% Mortgage, payable \$21,773 monthly including interest, due June 1, 2023, secured by a first charge on land and buildings (Rideaucrest Towers)	2,445,082	2,653,144
6.49% Mortgage, payable \$27,018 monthly including interest, due January 1, 2026, secured by a first charge on land and buildings (Country Pines)	2,403,878	2,568,386
2.964% Mortgage, payable \$27,246 monthly, including interest, due January 1, 2024, secured by a first charge on land and buildings (Eldon Hall), net of unamortized transaction costs of \$385,737	3,288,357	3,269,373
2.99% Mortgage, payable \$27,151 monthly including interest, due January 1, 2022, secured by a first charge on land and buildings (Patrick Street)	<u>2,590,869</u>	<u>2,835,729</u>
	<u>\$14,360,721</u>	<u>\$15,305,842</u>

Principal repayments on mortgages in place for each of the next five years and thereafter are as follows:

2018	\$ 1,695,416
2019	861,161
2020	900,169
2021	941,176
2022	2,238,200
Thereafter	<u>7,724,599</u>
	<u>\$14,360,721</u>

Interest on mortgages payable in the amount of \$653,828 (2016 - \$595,486) is included in interest on long-term debt on the statement of operations.

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2017

9. Obligations Under Capital Lease

The following are the minimum lease payments required under the capital lease obligations:

2018	\$ 108,086
2019	108,086
2020	108,086
2021	108,086
2022	108,086
Thereafter	<u>1,010,243</u>
	1,550,673
Less portion representing interest	<u>(685,031)</u>
Principal portion of payments	<u>\$ 865,642</u>

Interest on obligations under capital lease in the amount of \$36,416 (2016 - \$Nil) is included in interest on long-term debt on the statement of operations.

10. Insurance Coverage

Insurance coverage for the current year was as follows:

Blanket amount on property insured	<u>\$35,000,000</u>
------------------------------------	---------------------

11. Marguerite Fund

In 2007, the Corporation received a donation of \$315,000 from the Congregation of Notre Dame Visitation Province Inc. The Marguerite Fund was established with this donation and the amount has been internally restricted. The Corporation intends to only use the investment income earned on the original capital for programs that enhance the quality of life of its residents.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 279,798	\$ 324,932
Investment income	3,916	4,998
Expenditures	-	-
Transfers to Marguerite Bourgeoys Place Development Fund	<u>-</u>	<u>(50,132)</u>
Balance at end of year	<u>\$ 283,714</u>	<u>\$ 279,798</u>

12. Contingent Liabilities

The nature of the Corporation’s activities is such that there may be litigation pending at any time. With respect to claims as at December 31, 2017, 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 MUNICIPAL NON-PROFIT HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2017

13. Loan Payable

During the year the Corporation received loan proceeds of \$55,021 relating to the development project. A maximum of \$100,000 may be drawn under the loan. The loan is non-interest bearing and will be repayable upon receipt of financing for the construction of the property. A portion of the loan proceeds may be forgiven contingent on the nature of the project’s ultimate tenancy.

14. Allocation of Expenses

The significant allocated expenses recorded are:

	<u>2017</u>	<u>2016</u>
Insurance		
- Municipal	\$ 74,081	\$ 71,614
- Eldon Hall	<u>24,127</u>	<u>17,903</u>
	<u>\$ 98,208</u>	<u>\$ 89,517</u>
Wages and benefits		
Administrative overhead, salary component		
- Municipal	\$358,501	\$ 296,947
- Eldon Hall	102,646	41,450
Maintenance wages and benefits		
- Municipal	96,209	338,783
- Eldon Hall	<u>30,931</u>	<u>121,150</u>
	<u>\$ 588,287</u>	<u>\$ 798,330</u>

15. Financial Risks

(a) Fair Values

The carrying values of cash, accounts and other receivables and payables, taxes recoverable and accounts payable and accrued liabilities approximate their fair values due to the expected short-term maturity of these items.

The carrying value of marketable securities equals their fair value.

The fair value of the long-term debt cannot be determined due to the special nature of the underlying security and the absence of market comparables.

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION**NOTES TO FINANCIAL STATEMENTS (continued)****YEAR ENDED DECEMBER 31, 2017****15. Financial Risks (continued)****(b) Credit Risk**

Credit risk is the risk of financial loss to the Corporation if a tenant, funding agency or counterparty to a marketable security fails to meet its contractual obligations. The maximum exposure to credit risk of the Corporation at year-end is limited to the carrying amounts of these assets.

The Corporation manages its credit risk surrounding cash and marketable securities by dealing with reputable banks and financial institutions, and limiting the allocation of funds into highly liquid investments with acceptable risks.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's mortgages payable and capital lease obligations, which bear interest at fixed rates, subject the Corporation to fair value interest rate risk. No hedging relationships have been established for the related monthly interest and principal payments. However, the interest rate risk pertaining to the municipal component of the Corporation is mitigated by the subsidy mechanism, through which the subsidy revenue received is designed to offset changes in mortgage servicing requirements.

(d) Market Risk

Market risk is the risk of financial loss to the Corporation arising from fluctuations in the market price of the Corporation's investments. To manage this risk, the Corporation monitors the risks of the portfolio and rebalances as required. The Corporation also establishes a target mix of investment types.

(e) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its mortgages payable and its accounts payable.

16. Commitments

Pursuant to a contract for property management services signed January 25, 2017, the Corporation is obligated to annual payments of approximately \$750,000 plus sales tax annually for the 2018 and 2019 fiscal years for property management services. The fees payable for these services consist of two components. First, monthly payments of approximately \$33,333 plus sales tax shall be incurred for maintenance and repair functions, including costs incurred by the service provider for supplies, site-level personnel and sub-contractors as considered necessary. Second, monthly payments of approximately \$29,167 plus sales tax shall be incurred for maintenance administration services, including office staff, general office costs, internal accounting, professional services, insurance and similar costs.

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION**NOTES TO FINANCIAL STATEMENTS (continued)****YEAR ENDED DECEMBER 31, 2017****16. Commitments (continued)**

Reconciliation of actual billings from the service provider in 2017 indicated an excess of billings over the agreed upon maintenance and repair budget. The excess, amounting to approximately \$80,000, were written off by the service provider. Additional monthly payments of up to \$11,500 (over and above those noted previously) shall be payable to the service provider to cover maintenance costs from January to October of 2018.

As part of the arrangement, a number of the property management staff employed by the Corporation were transferred to the service provider, as were a number of pieces of equipment relating to the provision of maintenance services.

Subsequent to year-end, the contract was terminated with ninety days' notice, as stipulated in the terms of the arrangement.

17. Transfer to Marguerite Bougeys Place Development Fund

During the year ended December 31, 2017, the Corporation transferred \$1,620,000 from the Eldon Hall Fund to the Marguerite Bourgeys Place Development Fund in order to provide the fund with capital for development of property.

18. Subsequent Events

- (a) Subsequent to year-end, a number of fire code violations were identified at certain properties owned by the Corporation. Expenditures required under this project are projected to be \$21,480.
- (b) In addition, the Corporation initiated work that was required on one of its properties to comply with building condition standards mandated in one of the lending agreements. Expenditures required under this project are projected to be \$225,000.
- (c) On July 23, 2018, staff from the City of Kingston, acting in the City's capacity as service manager, notified the Corporation of certain triggering events under the Housing Services Act. In accordance with the Act, the City of Kingston communicated its intent to undertake control of operations.

19. Budget Figures

The budget figures included in the statement of operations and surplus are included for comparative purposes only. These figures are unaudited.

20. Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

DRAFT

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

ADMINISTRATIVE OVERHEAD

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>			<u>Total</u> <u>Actual</u>	<u>Total</u> <u>Budget</u> (unaudited)	<u>2016</u>
	<u>Municipal</u>	<u>Eldon Hall</u>	<u>Marguerite</u>			<u>Total</u> <u>Actual</u>
Administrative salaries and benefits	\$ 358,501	\$ 102,646	\$ -	\$ 461,147	\$ 651,743	\$ 338,397
Transportation and communication	2,219	-	-	2,219	-	6,159
Materials and services	794	-	-	794	-	5,231
Professional fees	84,010	21,002	-	105,012	11,319	4,697
Supplies and equipment	5,232	-	-	5,232	-	28,175
Marketing	<u>486</u>	<u>-</u>	<u>-</u>	<u>486</u>	<u>6,000</u>	<u>1,518</u>
	<u>\$ 451,242</u>	<u>\$ 123,648</u>	<u>\$ -</u>	<u>\$ 574,890</u>	<u>\$ 669,062</u>	<u>\$ 384,177</u>

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

MATERIALS AND SERVICES

YEAR ENDED DECEMBER 31, 2017



	2017			Total Budget (unaudited)	2016
	<u>Municipal</u>	<u>Eldon Hall</u>	<u>Total Actual</u>		<u>Total Actual</u>
Roofing	\$ 1,832	\$ 362	\$ 2,194	\$ -	\$ 3,714
Building, general	64,226	13,574	77,800	-	156,627
Electrical systems	440	177	617	-	17,601
Elevators	22,514	-	22,514	-	24,782
Grounds	25,219	6,749	31,968	-	52,312
Heating and plumbing	3,399	1,304	4,703	-	62,917
Social and recreation	-	-	-	700	604
Painting	-	-	-	-	214
Waste removal	31,051	2,100	33,151	-	24,483
Security	15,370	3,956	19,326	27,200	26,070
Other	110,677	30,652	141,329	92,525	72,490
Contract maintenance (note 16(a))	213,418	47,355	260,773	400,000	50,554
Contract maintenance - administration (note 16(a))	224,498	108,309	332,807	371,852	-
Maintenance wages and benefits	96,209	30,931	127,140	-	459,933
Water system	-	-	-	-	20,086
	<u>\$ 808,853</u>	<u>\$245,469</u>	<u>\$1,054,322</u>	<u>\$ 892,277</u>	<u>\$ 972,387</u>

SCHEDULE C

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

UTILITIES

YEAR ENDED DECEMBER 31, 2017

	2017			Total Budget (unaudited)	2016
	<u>Municipal</u>	<u>Eldon Hall</u>	<u>Total Actual</u>		<u>Total Actual</u>
Electricity	\$ 161,480	\$ 107,636	\$ 269,116	\$ 306,500	\$ 347,067
Water	43,164	539	43,703	44,250	62,048
Sewer commodity charge	55,715	175	55,890	53,100	60,357
Gas	56,853	23,369	80,222	92,000	80,266
	<u>\$ 317,212</u>	<u>\$ 131,719</u>	<u>\$ 448,931</u>	<u>\$ 495,850</u>	<u>\$ 549,738</u>

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

REPLACEMENT RESERVE FUND - MUNICIPAL

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

DRAFT

	<u>2017</u>	<u>2016</u>
Assets		
Marketable securities (note 3)	\$ 743,999	\$ 691,411
Funding receivable	-	25,135
Receivable from operating fund	<u>44,592</u>	<u>4,683</u>
	<u>\$ 788,591</u>	<u>\$ 721,229</u>
Liabilities and Fund Balance		
Replacement reserve fund	<u>\$ 788,591</u>	<u>\$ 721,229</u>

REPLACEMENT RESERVE FUND - MUNICIPAL

STATEMENT OF CONTINUITY

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 721,229	\$ 634,745
Transfer from operating fund	273,290	268,247
SHIP funding	393,878	10,176
SHEEP funding	146,290	14,959
Realized investment income	12,588	37,457
Capital expenses	(218,516)	(219,220)
SHIP expenses	(393,878)	(10,176)
SHEEP expenses	<u>(146,290)</u>	<u>(14,959)</u>
Balance at end of year	<u>\$ 788,591</u>	<u>\$ 721,229</u>

See accompanying notes to financial statements

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

REPLACEMENT RESERVE FUND - ELDON HALL

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017



	<u>2017</u>	<u>2016</u>
Assets		
Marketable securities (note 3)	\$ 369,976	\$ 365,789
Receivable from operating fund	<u>7,724</u>	<u>35,132</u>
	<u>\$ 377,700</u>	<u>\$ 400,921</u>
Liabilities and Fund Balance		
Replacement reserve fund	<u>\$ 377,700</u>	<u>\$ 400,921</u>

REPLACEMENT RESERVE FUND - ELDON HALL

STATEMENT OF CONTINUITY

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 400,921	\$ 379,208
Unrealized gain (loss) on investments	3,718	(700)
Capital expenses	(26,939)	(12,587)
Transfer from operating fund	<u>-</u>	<u>35,000</u>
Balance at end of year	<u>\$ 377,700</u>	<u>\$ 400,921</u>

See accompanying notes to financial statements

KINGSTON MUNICIPAL NON-PROFIT HOUSING CORPORATION

MARGUERITE BOURGEOYS PLACE DEVELOPMENT FUND

DRAFT

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 16,637	\$ 7,836
Investments (note 3)	1,600,000	-
Receivable from Municipal operating fund	3,971	-
Receivable from Eldon Hall operating fund	16,533	-
Funding receivable	72	10,299
HST recoverable	<u>6,517</u>	<u>1,851</u>
	<u>\$ 1,643,730</u>	<u>\$ 19,986</u>
 Liabilities and Fund Balance		
Accounts payable	\$ 25,419	\$ 6,352
Payable to operating fund	-	519
PDF loan payable (note 13)	55,021	-
Seed funding loan	<u>-</u>	<u>6,970</u>
	80,440	13,841
Development fund	<u>1,563,290</u>	<u>6,145</u>
	<u>\$ 1,643,730</u>	<u>\$ 19,986</u>

STATEMENT OF CONTINUITY

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 6,145	\$ 1,902
Development funding	20,575	7,177
Interest income	16,485	463
Development expenses	(99,915)	(53,529)
Transfer from Eldon fund (note 17)	1,620,000	-
Transfers from Marguerite operating fund	<u>-</u>	<u>50,132</u>
Balance at end of year	<u>\$ 1,563,290</u>	<u>\$ 6,145</u>

See accompanying notes to financial statements