ATTACHMENT 1

Financial Statements of

HOUSING YORK INC.

Year ended December 31, 2008

AUDITORS' REPORT

To the Board of Directors of Housing York Inc.

We have audited the balance sheet of Housing York Inc. as at December 31, 2008 and the statements of revenue and expenditures and retained earnings and cash flows for the year then ended. These financial statements have been prepared to comply with Section 113(2) of the Social Housing Reform Act and guidance in its application issued by the Housing Services Division of the Regional Municipality of York. The financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as disclosed in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors of the Corporation and the Regional Municipality of York to comply with Section 113(2) of the Social Housing Reform Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

DRAFT

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 20, 2009

HOUSING YORK INC.

DRAFT Balance Sheet

December 31, 2008, with comparative figures for 2007

	2008	2007

Assets

	2008	2007
Current assets:		
Cash and cash equivalents	$ 1,769,273	$ 2,209,354
Accounts receivable:		
Rents	232,261	215,920
GST	219,597	233,986
Other	96,546	383,979
Prepaid expenses	173,552	167,126
	2,491,229	3,210,365
Restricted cash and investments:		
Rental deposits	284,155	251,245
Reserve fund deposits	748,221	675,810
Energy Management Reserve	122,210	165,534
Emergency Power Plan Reserve	487,829	789,358
Insurance Reserve	187,708	181,386
Reserve fund investments (note 6)	4,842,466	4,763,092
Operating fund investments (note 6)	4,149,848	3,585,571
	10,822,437	10,411,996
Property holdings (note 3)	100,076,990	93,599,313
	$ 113,390,656	$ 107,221,674

Liabilities and Equity

	2008	2007
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,050,522	$ 2,239,689
Deferred revenue	530,969	428,356
Amounts due to Regional Municipality of York, without interest or terms of repayment	3,321,797	2,890,584
Current portion of mortgages payable (note 4)	3,069,448	10,756,619
	8,972,736	16,315,248
Loan agreements (note 4)	5,834,000	–
Mortgages payable (note 4)	87,303,663	82,527,694
Equity: (note 5)		
Reserve Fund for Capital Equipment Replacement	5,109,513	5,443,552
Reserve Fund for Energy Management Project	122,210	165,534
Reserve Fund for Emergency Power Plan Project	487,829	789,358
Reserve Fund for Insurance Deductibles	187,708	181,386
Shareholder contribution (note 4)	3,554,879	–
Retained earnings	1,818,118	1,798,902
	11,280,257	8,378,732
	$ 113,390,656	$ 107,221,674

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

HOUSING YORK INC.

DRAFT Statement of Revenue and Expenditures and Retained Earnings

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget (Unaudited)	2008 Actual	2007 Actual
Revenue:			
Rental revenue	$ 12,668,510	$ 12,739,675	$ 12,257,214
Non rental revenue	482,395	687,003	525,065
Recognition of utility savings (note 5(b))	–	235,142	23,000
Operating subsidies (note 7)	8,404,071	7,629,866	7,565,153
Provincial reform surplus	187,928	69,422	140,819
	21,742,904	21,361,108	20,511,251
Expenses:			
Administration and maintenance (note 7)	5,942,919	6,403,185	5,963,156
Insurance expense	181,400	213,387	164,461
Bad debts	77,868	72,769	78,796
Utilities	2,676,748	2,248,914	1,998,262
Mortgage/lease payments (note 4)	8,434,812	8,327,669	8,332,874
Property taxes	2,059,360	1,979,161	1,901,250
Shelter costs	–	74,521	–
Capital	1,364,341	1,015,473	1,207,952
	20,737,448	20,335,079	19,646,751
Excess of revenue over expenditures before the undernoted	1,005,456	1,026,029	864,500
Contribution to capital reserve fund (note 5)	616,239	671,465	673,681
Excess of revenue over expenditures	389,217	354,564	190,819
Retained earnings, beginning of year	1,798,902	1,798,902	1,681,083
Internal allocations:			
Energy Management Strategy Year 1	–	(191,818)	(23,000)
Insurance Reserve	(50,000)	(50,000)	(50,000)
Strategic projects	(155,000)	(93,530)	–
Retained earnings, end of year	$ 1,983,119	$ 1,818,118	$ 1,798,902

See accompanying notes to financial statements.

HOUSING YORK INC.

DRAFT Statement of Cash Flows

Year ended December 31, 2008 with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 1,026,029	$ 864,500
Items not affecting cash:		
Amortization of income-producing properties	2,911,202	2,756,580
Cash contributions to (from) reserves	(1,679,383)	(1,809,028)
	2,257,848	1,812,052
Changes in non-cash operating working capital:		
Accounts receivable	285,481	(324,750)
Prepaid expenses	(6,426)	(8,640)
Accounts payable and accrued liabilities	(189,167)	469,798
Deferred revenue	102,613	(16,451)
Amounts due to Regional Municipality of York	431,213	1,065,822
	2,881,562	2,997,831
Financing:		
Mortgage repayments	(2,911,202)	(2,756,580)
Decrease in restricted cash - rent deposits	(32,910)	46,194
Increase in restricted cash - reserve fund deposits	(72,411)	(575,190)
Decrease (increase) in restricted cash - reserve fund investments	(79,374)	1,315,200
Decrease (increase) in restricted cash - Energy Management Reserve fund	43,324	262,550
Decrease (increase) in restricted cash - Emergency Power Plan Reserve fund	301,529	44,819
Increase in restricted cash - Insurance Reserve fund	(6,322)	(29,456)
Decrease (increase) in operating fund investments	(564,277)	(533,173)
	(3,321,643)	(2,225,636)
Increase (decrease) in cash and cash equivalents	(440,081)	772,195
Cash and cash equivalents, beginning of year	2,209,354	1,437,159
Cash and cash equivalents, end of year	$ 1,769,273	$ 2,209,354

See accompanying notes to financial statements.

Housing York Inc. (the "Corporation") was incorporated in accordance with Section 182 of the *Ontario Business Corporations Act* on January 1, 2003. The Regional Municipality of York (the "Region") is the sole shareholder of the Corporation.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with accounting policies that comply with *Section 113(2) of the Social Housing Reform Act* (the "Act") and guidance in its application issued by the Housing Services Division of the Regional Municipality of York. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because:

(i) Income producing properties:

Income-producing properties that were transferred to the Public Housing Program on December 14, 2000 by the Province of Ontario are carried at a nominal value of $1 as the fair value of the properties is not readily available.

Income-producing properties are reported for the Provincial Reform Program and include land, buildings, equipment and other capitalized costs recorded at cost, net of any government grants or contributions.

During 2004, the Regional Municipality of York implemented the Regional Housing Program which the Corporation manages on behalf of the shareholder through a long-term lease agreement. A second property was added to this program in October 2006. The land, building and equipment for these sites are not reflected on the Corporation's book of accounts. A third location was added to this program in 2008. Unlike the first two buildings, the Corporation holds title for the new building which is reported on the financial statements as discussed in Sections 1(e) and 4 (b). None of the buildings in the Regional Housing Program fall under *Social Housing Reform Act, 2000* and therefore are not subject to comply with accounting policies under *Section 113 (2).*

As described in the Act, costs incurred by the Provincial Reform Program to modernize or improve existing income-producing properties, which have the effect of extending the useful life of the property or increasing its value, are funded from the Capital Repair and Replacement Reserve. The Public Housing Program has no Capital Repair and Replacement Reserve; therefore, these expenses are reflected as operating expenses. The Regional Housing Program is self-sustaining and funds its own Capital Repair and Replacement Reserve through surplus operating funds.

1. **Significant accounting policies (continued):**

(ii) Amortization:

The Corporation follows the amortization policy for Provincial Reform Program income-producing properties prescribed in the Act. Under this policy, the cost of land, buildings and equipment is amortized over the terms of the mortgages secured to finance such assets and the annual charges for amortization are equal to the annual principal repayments on these mortgages.

The Corporation remits lease payments to the Regional Municipality of York for the Regional Housing Program according to prescribed debenture schedules held by the Region.

(iii) Transfers to/from Capital Repair and Replacement Reserve fund:

Appropriations to/from reserve fund are reported on the statement of revenue and expenditures and retained earnings. Expenditures made from reserve fund are reported within this fund and not on the statement of revenue and expenditures and retained earnings. Interest income earned on investments of the reserve fund is credited directly to the reserve fund and is not reported on the statement of revenue and expenditures and retained earnings.

(iv) Financial instruments:

Investments are reported at book value. Gains or losses are disclosed at the time of redemption as per Program Instructions from The Regional Municipality of York.

(b) Other reserve funds:

In 2006 the Corporation established reserve funds from retained earnings for expenditures approved by the Board of Directors. These funds are specifically restricted for energy management, emergency power plan and insurance deductible expenditures.

1. Significant accounting policies (continued):

(c) Investments:

During 2005 the Corporation adopted an Investment Strategy Policy which includes the management of mandatory investment of the Capital Repair and Replacement Reserve as well as the investment of surplus operating funds. The policy prescribes to a conservative investment approach that carries a low to moderate risk tolerance similar to investment strategies adopted by the Regional Municipality of York.

(d) Bad debts:

The funding formula does not recognize a Provision for Doubtful Accounts. Therefore bad debts are recognized as an expense in the year that write-off has occurred. The Corporation applies a Collection of Tenant Accounts Policy which indicates that former tenant arrears that meet certain criteria are eligible for write-off annually.

(e) Other property holdings:

Other properties developed in the Region where ownership is registered to the Corporation are valued at the cost of construction.

These buildings are depreciated over an estimated useful life of 50 years using the straight-line method.

(f) Operations:

On January 1, 2001, The Regional Municipality of York assumed direct management responsibility for the operations of the Public Housing Program under the terms of a property services agreement under the *Social Housing Reform Act, 2000*.

As of December 31, 2008 the portfolio consists of 31 multi-residential buildings and an emergency shelter site. While the Corporation owns the shelter site daily operations are provided by Blue Door Shelter through an operating agreement.

(g) Subsidy reconciliation - operating subsidies:

The Corporation is subsidized for certain occupancy costs relating to Provincial Reform Program and Public Housing Program residences administered by the Corporation. Any surplus funding received must be repaid in full to the Regional Municipality of York. The Regional Housing Program is not eligible to receive operating subsidy.

1. Significant accounting policies (continued):

The final subsidy amount to be received by the Corporation for the current fiscal year will not be determined until the administrator reviews the Corporation's financial and statistical returns. Management of the Corporation considers the subsidy receivable (payable) to include all appropriate adjustments for non-allowable costs. Any adjustments to the subsidy will be accounted for in the period it is determined.

(h) Deferred revenue:

Deferred revenue consists of tenant deposits in respect of last-month's rent and subsidy payments applicable to future periods.

The amounts will be recognized as revenue in the appropriate future period or returned depending on the applicable circumstances.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that may affect disclosure of the reported amounts of assets and liabilities, contingent assets and liabilities, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Change in accounting policy:

Effective January 1, 2007, the Corporation adopted The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Corporation had designated all of its investments as held for trading, and carried them at fair value.

During 2008, the Region of York under S.113 (2) of the Social Housing Reform Act, 2000 (SHRA) required housing providers to disregard the CICA change and to revert to recording and valuing investments at book value. This change is deemed to be a change in accounting policy. The effect of this change in accounting policy on the 2007 financial statements is immaterial, as such, a prior year adjustment is not required.

HOUSING YORK INC.

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Property holdings:

	2008	2007
Income producing properties:		
Land	$ 25,232,345	$ 25,232,345
Buildings	90,114,038	90,114,038
	115,346,383	115,346,383
Less accumulated amortization	24,973,272	22,062,070
Net book value	$ 90,373,111	$ 93,284,313
Other properties:		
Land	$ 315,000	$ 315,000
Buildings	9,388,879	–
	9,703,879	315,000
Less accumulated amortization	–	–
Net book value	$ 9,703,879	$ 315,000
Total property holdings:		
Land	$ 25,547,345	$ 25,547,345
Buildings	99,502,917	90,114,038
	125,050,262	115,661,383
Less accumulated amortization	24,973,272	22,062,070
Net book value	$ 100,076,990	$ 93,599,313

4. Property financing:

(a) Mortgages payable applicable to buildings in the Provincial Reform Program:

Project	Particulars	2008	2007
Glenwood Mews	Mortgage payable, bearing interest at 4.54% per annum with blended monthly payments of $39,167, maturing February 1, 2015	$ 5,334,532	$ 5,559,036
Keswick Gardens	Mortgage payable, bearing interest at 6.996% per annum with blended monthly payments of $70,011, maturing January 1, 2025	8,649,182	8,883,985
Springbrook Gardens	Mortgage payable, bearing interest at 5.912% per annum with blended monthly payments of $87,877, maturing January 1, 2024	11,726,218	12,084,471
Mulock Village	Mortgage payable, bearing interest at 4.547% per annum with blended monthly payments of $80,593, maturing March 1, 2017	12,021,026	12,436,473
Heritage East	Mortgage payable, bearing interest at 6.416% per annum with blended monthly payments of $100,829, maturing October 1, 2010	13,167,937	13,531,516
Hadley Grange	Mortgage payable, bearing interest at 4.486% per annum with blended monthly payments of $43,297, maturing February 1, 2018	6,694,969	6,911,909
Brayfield Manor	Mortgage payable, bearing interest at 5.94% per annum with blended monthly payments of $70,757, maturing July 1, 2028	9,874,332	10,135,657
Oxford Village	Mortgage payable, bearing interest at 4.39% per annum with blended monthly payments of $17,571, maturing June 1, 2015	2,920,803	3,002,613
Rose Town	Mortgage payable, bearing interest at 5.34% per annum with blended monthly payments of $46,731, maturing December 1, 2012	5,540,640	5,801,190
Woodbridge Lane	Mortgage payable, bearing interest at 4.742% per annum with blended monthly payments of $11,214, maturing April 1, 2015	1,807,059	1,855,529
Trinty Square	Mortgage payable, bearing interest at 4.609% per annum with blended monthly payments of $77,391, maturing March 1, 2015	11,485,965	11,880,458
Blue Door Shelter	Mortgage payable, bearing interest at 4.443% per annum with blended monthly payments of $8,609, maturing September 1, 2018	1,150,448	1,201,476
Mortgages payable		90,373,111	93,284,313
Less current portion		3,069,448	10,756,619
Long-term portion		$ 87,303,663	$ 82,527,694

4. Property financing (continued):

Principal repayments are as follows:

2009	$ 3,069,448
2010	15,603,869
2011	2,972,035
2012	3,128,718
2013	7,304,297
Thereafter	58,294,744
	$ 90,373,111

(b) Tom Taylor Place

Tom Taylor Place, a new 50 unit facility in the Town of Newmarket, opened October 1, 2008. The building was constructed by the Regional Municipality of York through the Affordable Housing Program which offers funding partnerships with the federal and provincial governments. The building is owned by the Corporation however the financial reporting does not fall under the *Social Housing Reform Act, 2000* like the other income producing properties owned by the Corporation.

Financing for the building will include Regional debentures and other loan agreements which are described below.

The Corporation purchased the land for this building in January 2006 for $315,000.

Building	$ 9,388,879	$ –
Amounts payable to shareholder		4,434,000
Federal forgivable loan		1,400,000
Shareholder contribution		3,554,879
	$ 9,388,879	$ 9,388,879

Amounts payable to shareholder is comprised of $2,334,000 long-term loan repayable to the Region from rent revenue generated at the building. The terms of the loan are not finalized as of December 31, 2008. The Region expects to finance this amount by issuing a debenture. The terms of this debenture will apply to the long-term loan repayable to the Region.

4. Property financing (continued):

The remaining balance of amounts payable to shareholder of $2,100,000 has been financed by the Region in advance of the receipt of contributions from the Province which are expected to be received on a monthly basis for 20 years. These provincial contributions are forgivable advances subjected to similar terms and conditions applicable to Federal forgivable loan as discussed below.

The federal forgivable loan is provided through the Canada - Ontario New Affordable Housing Program agreement. This loan is to be fully forgiven on the last day of the month at the end of the term of the loan. The term of the loan is 20 years maturing in 2028 and the amounts are forgiven provided all terms and conditions of the agreement are satisfied by the Corporation. The loan is interest bearing with interest rate being the higher of the average posted rate offered by major Canadian lending institutions for a commercial first mortgage having a five year term, plus 2% or the interest rate applicable to the first mortgage registered against title to the property, plus 2%. The interest, however, is to be fully forgiven on an annual basis provided all terms and conditions of the agreement are satisfied by the Corporation.

The shareholder contribution in the amount of $3,554,879 represents a gift from the Regional Municipality of York to the Corporation to fully finance the cost of the Tom Taylor Place not covered by the Canada – Ontario Affordable Housing Program.

5. Reserve funds:

In addition to the capital reserve fund that has always been maintained by the Corporation, the Board of Directors approved the establishment of three new reserve funds during 2006. The internal reserves were originally funded from Retained Earnings and are restricted for specific use relating to energy management, emergency power or insurance as discussed below.

(a) Capital Repair and Replacement:

In accordance with the *Social Housing Reform Act, 2000,* the use of the Reserve Fund is limited to the replacement, enhancement or repair of existing capital assets, or the purchase of new capital assets for the Provincial Reform Program. Funding for capital expenditures is obtained through the Regional Municipality of York, through the subsidy payment process.

Buildings in the Region Housing Program contribute annual surplus operating funds to a capital reserve for future major repairs and replacements within this program. For presentation purposes all capital reserve funds are reported on a consolidated basis.

5. Reserve funds (continued):

The Corporation does not maintain a capital reserve fund account for the Public Housing Program.

The Corporation has a ten-year capital plan, which has been approved through a separate process.

	2008	2007
Balance, beginning of year	$ 5,443,552	$ 6,227,986
Transfer in from operating	671,465	673,681
Transfer in from other sources	120,759	–
Interest earned	203,485	280,145
Capital expenditures for current year	(1,329,748)	(1,738,260)
Net activity for the year	(334,039)	(784,434)
Balance, end of year	$ 5,109,513	$ 5,443,552

(b) Energy Management Pilot Project:

In 2005 the Corporation's Board of Directors approved the use of up to $500,000 from Retained Earnings to pilot energy management initiatives at two buildings, Elmwood Gardens in the Town of Whitchurch-Stouffville, and Founders Place in the Town of Newmarket. The funds were to be repaid to Retained Earning through utility savings generated at the sites following retrofit.

The pilot project has wound down and been replaced with a multi-year energy management strategy discussed in Note 4(c). An annual payment of $43,324 will be made from the reserve to Retained Earnings to repay the original investment. 2008 repayment is included in recognition of utility savings on the statement of revenue and expenditures and retained earnings. This reserve will be closed in approximately 2.8 years.

	2008	2007
Balance, beginning of year	$ 165,534	$ 428,084
Recognition of utility savings	–	23,000
Incentive funds received	–	188,638
Energy management expenditures for the current year	–	(474,188)
Repayment to retained earnings	(43,324)	–
Net activity for the year	(43,324)	(262,550)
Balance, end of year	$ 122,210	$ 165,534

5. Reserve funds (continued):

(c) Multi Year Energy Management Strategy - Year 1:

Following the positive outcomes of the energy management pilot project, the Board of Directors approved a five year plan to retrofit a further 25 buildings in the portfolio. Regional Council approved a $3.5M interest free loan from the York Region innovative fund to update five buildings per year. Repayment of the loan would come from utility savings at the retrofitted buildings over an estimated pay-back period of 14 years.

A formal borrowing agreement will be executed in 2009 to commence the loan based on annual budget estimates. In 2008 the costs for this program were accomplished without borrowing. Incentive funds and energy savings from conservation projects that were completed in years prior to the formal energy management strategy were used.

Funding sources:		
Incentive assistance	$	9,979
Utility savings		181,840
		191,818
Expenditures:		
Direct costs and project administration		(191,818)
Net financial impact in 2008	$	–

(d) Emergency Power Plan:

Following the examination of the Corporation's emergency power capabilities in a long term power outage the Board of Directors approved the use of $910,500 from Retained Earnings to fund emergency power upgrades in several apartment buildings. The multi-year plan addresses operational and safety issues which are scheduled to be completed by 2010.

		2008		2007
Contribution from retained earnings	$	789,358	$	834,177
Emergency power plan expenditures for the current year		(301,529)		(44,819)
Balance, end of year	$	487,829	$	789,358

5. Reserve funds (continued):

(e) Insurance Reserve:

The Corporation maintains property insurance on all buildings through the Social Housing Services Corporation. This is a pooled insurance program available for housing providers in Ontario.

The Corporation takes all reasonable measures to reduce or mitigate insurance claims through aggressive risk management strategies. However, the unpredictable nature of insurance claims has the potential to create unforeseen impacts on operating expenses on a year over year basis as frequency and severity of incidents cannot be forecasted.

As an alternative to using operating funds on an as-required basis for insurance related costs, the Board of Directors approved the establishment of a reserve fund to facilitate a more predictable draw on operating expenses. The initial contribution to the reserve from Retained Earnings was $200,000 in 2006 and an annual contribution of $50,000 is expected every year thereafter. The reserve balance is monitored yearly for adequacy against claims costs.

Insurance costs related to deductibles on claims and small settlements will be paid from the insurance reserve fund. The combination of the insurance policy and the insurance reserve provides financial protection from catastrophic loss.

	2008	2007
Balance, beginning of year	$ 181,386	$ 151,930
Contribution to reserve	50,000	50,000
Insurance claims paid during the year	(43,678)	(20,544)
Net activity for the year	6,322	29,456
Balance, end of year	$ 187,708	$ 181,386

6. Investments:

(a) Capital Repair and Replacement Fund:

Under the requirements of the *Social Housing Reform Act, 2000*, housing providers are required to invest their Capital Repair and Replacement Reserve fund in an investment pool designed for housing providers. The Corporation has participated in this mandatory program since its inception and from time to time adjusts its investment mix to reflect its risk profile and to improve its overall returns.

In addition to the pooled investment fund the Corporation holds a Province of Ontario bond as a result of the purchase of Trinity Square in 2006. This instrument will be held until maturity and then transferred into the social housing investment pool. On December 31, 2008 the following investment values are reported:

	Value	Total (%)
Security Description:		
Social Housing Canadian Money Market Fund	$ 58,357	1.2
Social Housing Canadian Short Term Bond Fund	3,225,931	66.6
Social Housing Canadian Bond Fund	695,924	14.4
Social Housing Canadian Equity Fund	725,879	15.0
Province of Ontario Bond	136,375	2.8
Total Capital Repair and Replacement Reserve Investment	$ 4,842,466	100.0

6. Investments (continued):

(b) Surplus Operating Funds:

Surplus operating funds are invested to improve upon the return that would otherwise be made earning bank interest. Surplus operating funds would include restricted funds from Retained Earnings and short term cash flow excesses not needed to support operations. Investments of this nature typically fall into a short term investment horizon of three months to four years. The Corporation holds the following investment instruments as of December 31, 2008:

		Par value	Maturity date	Yield to Maturity
Security Description:				
Province of British Columbia Bond		1,000,000	June 1, 2009	4.009%
Bank of Nova Scotia Bond		500,000	September 22, 2009	3.722%
Royal Bank Bond		500,000	September 27, 2010	3.961%
Province of Ontario Bond		1,000,000	December 2, 2011	2.966%
Province of British Columbia Bond		1,000,000	January 9, 2012	3.598%
Unamortized premiums	$	149,848		
Total surplus operating investments	$	4,149,848		

7. Related party transactions:

(a) During the year, the Corporation received net subsidies as summarized below:

	2008	2007
Subsidies:		
Provincial Reform Program	$ 6,312,188	$ 6,240,236
Public Housing Program	1,202,480	1,209,679
Blue Door Shelter	115,198	115,238
	$ 7,629,866	$ 7,565,153

The Regional Municipality of York provided contracted services of personnel, rental of office space, and other administrative costs. The cost of these services, aggregating $3,922,355 (2007 - $3,623,393), was charged to contracted services expenditures.

7. Related party transactions (continued):

(b) Buildings in the Region Housing Program are financed by The Regional Municipality of York. The collection of tenant's rent is used to pay the financing costs and the Corporation issued payments to York Region to fund the debentures payable.

Property	Particulars	2008	2007
Armitage Gardens	Debenture payable, 20 year amortization with blended annual payment of $253,135	$ 253,135	$ 253,135
Blue Willow Terrace	Debenture payable, 30 year amortization with blended annual payment of 238,761	238,761	238,761
Total debentures payable		$ 491,896	$ 491,896

Debenture payments for Tom Taylor Place will commence in 2009.

8. Fair values of financial instruments:

The carrying amount of cash and restricted cash in respect of rental deposits consist of bank account deposits and is comparable to their fair value.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts.

The Corporation holds investments in all four pooled funds available to social housing providers for capital repair and replacement reserves. The fair value for the pooled investment is $4,519,340 at December 31, 2008. A further investment of $136,375 is held in provincial bonds. The balance of the capital reserve is held in current bank account deposits with a market value equivalent to cost.

The fair market value of the investment of surplus operating funds is $4,149,848 which reflects par value net of unamortized discounts and premiums. Discounts or premiums are amortized over the remaining term of the investments.