ATTACHMENT 1

Financial Statements of

HOUSING YORK INC.

Year ended December 31, 2009

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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, 2009 and the statements of revenue and expenditures and retained earnings and cashflows 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, 2009 and the results of its operations and its cashflows 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 purposes.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 3, 2010

Housing York Inc.

Balance Sheet

December 31, 2009 with comparative figures for 2008

		2009		2008
Assets				
Current assets:				
Cash	$	2,965,281	$	1,769,273
Accounts receivable:				
Rents		187,545		232,261
GST		144,035		219,597
Amounts due from Regional Municipality of York		1,039,732		
Other		91,503		86,546
Prepaid Expenses		252,032		173,552
Inventory		45,025		0
		4,725,153		2,491,229
Restricted cash and investments:				
Rental deposits		274,221		284,155
Reserve fund deposits		287,330		748,221
Energy Management Pilot Reserve		78,886		122,210
Energy Management Strategy Reserve		129,375		0
Emergency Power Plan Reserve		539,541		487,829
Insurance Reserve		201,257		187,708
Reserve fund investments (note 5)		4,463,724		4,842,466
Operating fund investments (note 5)		2,587,909		4,149,848
		8,562,243		10,822,437
Property Holdings (note 2)		99,771,574		100,076,990
	$	113,058,970	$	113,390,656
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,939,879	$	2,050,522
Deferred revenue		462,090		530,969
Amounts due to Regional Municipality of York, without interest or terms of repayment		3,664,249		3,321,797
Current portion of mortgage payable (note 3)		15,603,869		3,069,448
		21,670,087		8,972,736
Building Financing				
Loans Agreements		5,834,000		5,834,000
Mortgages payable (note 3)		71,699,794		87,303,663
Equity:				
Reserve fund for capital equipment replacement (note 4)		4,706,347		5,109,513
Reserve Fund for Energy Management Pilot Project (note 4)		78,886		122,210
Reserve Fund for Energy Management Strategy Project (note 4)		129,375		0
Reserve Fund for Emergency power Plan Project (note 4)		539,541		487,829
Reserve Fund for Insurance Deductibles (note 4)		201,257		187,708
Shareholders Equity		6,557,461		3,554,879
Retained earnings		1,642,222		1,818,118
		13,855,089		11,280,257
	$	113,058,970	$	113,390,656

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

Housing York Inc.

Statement of Revenue and Expenditure and Retained Earnings

December 31, 2009 with comparative figures for 2008

Account		2009 Budget		2009 Actual		2008 Actual
Revenue:						
Rental Revenue	$	13,131,882	$	13,064,193	$	12,739,675
Non Rental Revenue		484,898		573,461		687,003
Operating Subsidies (note 6)		8,911,284		8,068,744		7,629,866
Provincial Reform Surplus		63,255		69,288		69,422
	$	22,591,319	$	21,775,686	$	21,125,966
Expenses:						
Administration and Maintenance	$	6,619,769	$	6,788,415	$	6,403,186
Insurance Expense		192,264		207,220		213,387
Bad Debts		80,724		82,988		72,769
Utilities		2,683,862		2,225,103		2,205,590
Mortgage / Lease Payments (note 3)		8,499,276		8,501,039		8,327,669
Property Taxes		2,141,370		2,066,566		1,979,161
Shelter Costs		-		143,349		74,521
Capital		1,522,150		910,844		1,015,473
	$	21,739,414	$	20,925,524	$	20,291,755
Excess of revenue over expenditures before the undernoted	$	851,905	$	850,162	$	834,211
Contribution to Capital Reserve (note 4)		632,277		730,875		671,465
Excess of Revenue over Expenditures	$	219,628	$	119,288	$	162,746
Non Program Transactions						
Building Depreciation Expense				(238,550)		-
Retained earnings, beginning of year		1,818,118		1,818,118		1,798,902
Internal allocations						
Insurance Reserve		(50,000)		(50,000)		(50,000)
Strategic Projects				(6,634)		(93,530)
Retained earnings, end of year	$	1,987,746	$	1,642,222	$	1,818,118

See accompanying notes to financial statements.

Housing York Inc.

Statement of Cash Flows

December 31, 2009 with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	850,162	1,026,029
Items not affecting cash:		
Amortization of income-producing properties	$3,307,998	$2,911,202
Cash contributions to (From) reserves	($1,277,912)	($1,679,383)
	$2,880,248	$2,257,848
Change in non-cash operating working capital:		
Accounts receivable	$125,321	$285,481
Prepaid expenses	($78,480)	($6,426)
Inventory	($45,025)	-
Accounts payable and accrued liabilities	($110,643)	($189,167)
Deferred revenue	($68,879)	$102,613
Amounts due to Regional Municipality of York	($697,280)	$431,219
	$2,005,262	$2,881,568
Financing:		
Mortgage repayments	($3,069,448)	($2,911,202)
Decrease in restricted cash - rent deposits	$9,934	($32,910)
Increase in restricted cash - reserve fund deposits	$460,891	($72,411)
Decrease in restricted cash - reserve fund investments	$378,742	($79,374)
Decrease in restricted cash - Energy Management Reserve fund	$43,324	$43,324
Increase in restricted cash - Energy Management Strategy Reserve fund	($129,375)	-
Decrease in restricted cash - Emergency Power Plan Reserve fund	($51,712)	$301,529
Increase in restricted cash - Insurance Reserve fund	($13,549)	($6,322)
Increase in operating fund investments	$1,561,939	($564,277)
	($809,254)	($3,321,643)
Increase (decrease) in cash and cash equivalents	$1,196,008	($440,075)
Cash and cash equivalents, beginning of year	1,769,273	2,209,354
Cash and cash equivalents, end of year	$2,965,281	$1,769,279

See accompanying notes to financial statements.

Housing York Inc.
Notes to the Financial Statements
Year ended December 31, 2009

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 and Long Term Care Branch 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 that 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.

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.

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 this new building which is reported on the financial statements as discussed in Sections 1(a)(iii) 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)*.

(ii) Other Property Holdings

Housing York Inc. owns a non-revenue producing location with multiple buildings that serve as emergency shelters. Porter Place, the men's shelter, receives subsidy under the *Social Housing Reform Act, 2000* and is therefore reported in the same manner as the Corporation's other Provincial Reform Program locations.

In 2009 the Corporation added a new family shelter building known as Leeder Place to the Blue Door Shelters site. This building does not fall under the *Social Housing Reform Act, 2000* and is therefore excluded from the accounting policies under *Section*

Housing York Inc.
Notes to the Financial Statements
Year ended December 31, 2009

1. Significant accounting policies (continued):

113(2). The old Leeder Place shelter has been closed and its disposition is under review.

(iii) Amortization:

The Corporation follows the amortization policy for Provincial Reform Program 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.

Buildings owned by the Corporation that are not subject to the *Social Housing Reform Act, 2000* are valued at the cost of construction. These buildings are depreciated over an estimated useful life of 50 years using straight-line amortization method. This currently includes Tom Taylor Place and Leeder Place family shelter.

The Corporation remits financing payments to the Regional Municipality of York for the Regional Housing buildings that are leased to Housing York Inc. Revenue generated by tenant rents are returned to the Region to fund debenture commitments held by the Region on the Corporation's behalf.

(iv) 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.

(v) 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.

In 2009, the Corporation entered into two specific agreements with the Regional Municipality of York which flow additional subsidy in the form of grants for specified major repair and renovations. These agreements require reporting the additional funding and through capital reserves. The Corporation will chose to segregate these reserves from the mandatory capital repair and replacement reserve as noted in Section 1(a)(iv) due to their temporary nature but the accounting policy applied to the reserves is consistent with the Capital Repair and Replacement Reserve fund.

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

(c) Investments:

Under Program Instruction 2008-02 issued by the Regional Municipality of York, the Corporation records its investments at book value. Gains or losses associated with capital reserve investments are recognized at redemption.

(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) Operations:

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.

(f) 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.

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.

(g) 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.

(h) 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

Housing York Inc.
Notes to the Financial Statements
Year ended December 31, 2009

the year. Actual results could differ from those estimates. Minor presentation adjustments were made to prior year comparative results for consistency purposes only.

2. **Property holdings:**

	2009	2008
Incoming 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	28,042,721	24,973,272
Net book value	$ 87,303,662	$ 90,373,111
Other properties:		
Land	$ 315,000	$ 315,000
Buildings	12,391,461	9,388,879
	$ 12,706,461	9,703,879
Less accumulated amortization	238,549	-
Net book value	$ 12,467,912	$ 9,703,879
Total property holdings:		
Land	$ 25,547,345	$ 25,547,345
Buildings	102,505,499	99,502,917
	$ 128,052,844	125,050,262
Less accumulated amortization	28,281,270	24,973,272
Net book value	$ 99,771,574	$ 100,076,990

Housing York Inc.

Notes to the Financial Statements
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3. Property financing

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

Property	Particulars	2009	2008
Glenwood Mews	Mortgage payable, bearing interest at 4.54% per annum with blended monthly payments of $39,167, maturing February 1, 2015	$ 5,099,584	$ 5,334,532
Keswick Gardens	Mortgage payable, bearing interest at 6.996% per annum with blended monthly payments of $70,011, maturing January 1, 2025	8,397,665	8,649,182
Springbrook Gardens	Mortgage payable, bearing interest at 5.912% per annum with blended monthly payments of $87,877, maturing January 1, 2024	11,346,472	11,726,218
Mulock Village	Mortgage payable, bearing interest at 4.547% per annum with blended monthly payments of $80,593, maturing March 1, 2017	11,586,474	12,021,026
Heritage East	Mortgage payable, bearing interest at 6.416% per annum with blended monthly payments of $100,829, maturing October 1, 2010	12,780,657	13,167,937
Hadley Grange	Mortgage payable, bearing interest at 4.486% per annum with blended monthly payments of $43,297, maturing February 1, 2018	6,468,389	6,694,969
Brayfield Manor	Mortgage payable, bearing interest at 5.94% per annum with blended monthly payments of $70,757, maturing July 1, 2028	9,597,253	9,874,332
Oxford Village	Mortgage payable, bearing interest at 4.39% per annum with blended monthly payments of $17,571, maturing June 1, 2015	2,835,292	2,920,803
Rose Town	Mortgage payable, bearing interest at 5.34% per annum with blended monthly payments of $46,731, maturing December 1, 2012	5,265,821	5,540,640
Woodbridge Lane	Mortgage payable, bearing interest at 4.742% per annum with blended monthly payments of $11,214, maturing April 01, 2015	1,756,264	1,807,059
Trinity Square	Mortgage payable, bearing interest at 4.609% per annum with blended monthly payments of $77,391, maturing March 01, 2015	11,073,080	11,485,965
Blue Door Shelter – Porter Place	Mortgage payable, bearing interest at 4.443% per annum with blended monthly payments of $8,609, maturing September 01, 2018	1,096,712	1,150,448
Mortgages Payable		87,303,662	90,373,111
Less current portion		15,603,869	3,069,448
Long term portion		$ 71,699,794	$ 87,303,663

Housing York Inc.
Notes to the Financial Statements
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3. Property financing (continued):

Principal repayments are as follows:

2010	15,603,869
2011	2,972,035
2012	3,128,718
2013	7,304,297
2014	3,111,016
Thereafter	55,183,728
	$ 87,303,663

(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 includes Regional debentures and other loan agreements which are described below.

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

	2009	2008
Building	$ 9,554,635	
Amounts payable to shareholder		$ 4,434,000
Federal forgivable loan		1,400,000
Shareholder contribution		3,720,635
	$ 9,554,635	$ 9,554,635

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.

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.

3. Property financing (continued):

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.

(c) Blue Door Shelters - Leeder Place

The new Leeder Place family shelter, with a construction cost valued at $2,836,826, was developed by the Regional Municipality of York on existing lands owned the Corporation. It was gifted to the Corporation without any financing obligations.

4. 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.

Two additional temporary reserves were established in 2009 to accommodate additional subsidy agreements which provide grants.

(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.

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.

4. Reserve funds (continued):

	2009	2008
Balance, beginning of year	$ 5,109,513	$ 5,443,552
Transfer in from operating	725,294	671,465
Transfer in from other sources	-	120,759
Interest earned	170,088	203,485
Capital expenditures for current year	(1,298,547)	(1,329,748)
Net activity for the year	(403,166)	(334,039)
Balance, end of year	$ 4,706,347	$ 5,109,513

(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. An annual payment of $43,324 will be made from the reserve to Retained Earnings to repay the original investment. This reserve will be closed in 2011 when the original borrowed funds are fully repaid.

	2009	2008
Balance, beginning of year	$122.210	$165,534
Repayment to Retained Earnings	(43,324)	(43,324)
Net activity for the year	(43,324)	(43,324)
Balance, end of year	$78,886	$122,210

(c) Multi Year Energy Management Strategy – Year 2:

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 $3.500,000 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.

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4. Reserve Funds (continued):

In 2008 the costs for this program were accomplished without borrowing. In 2009 a draw of $150,000 was executed. This will be repaid from future years' utility savings according to a prescribed schedule. The amount available for future borrowing during the balance of the program is $3,350,000.

		2009		2008
Balance, beginning of year		-		-
Funding sources:				
Incentives and rebate assistance	$	72,200	$	9,978
Utility savings		226,491		181,840
Regional Innovation Loan		150,000		-
		448,691		191,818
Expenditures:				
Direct costs and project administration		(316,319)		(191,818)
Net activity for the year		129,375		
Balance, end of year	$	129,375	$	-

(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 tenant safety issues. The plan will be updated in 2011 to re-evaluate options pertaining to the rising cost of fixed generator installation.

	2009	2008
Contribution from retained earnings	$ 487,829	$ 789,358
Emergency power plan expenditures for the current year	51,712	(301,529)
Balance, end of year	$ 539,541	$ 487,829

(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 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.

4. Reserve Funds (continued):

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.

	2009	2008
Balance, beginning of year	$ 187,708	$ 181,386
Contribution to Reserve	50,000	50,000
Claims paid during year, net of recoveries	(36,451)	(43,678)
Net activity for the year	13,459	6,322
Balance, end of year	$ 201,257	$ 187,708

(f) Social Housing Repair and Retrofit Program:

During 2009 the federal and provincial governments implemented the Social Housing Repair and Retrofit Program (SHRRP) as part of a national economic stimulus initiative. The program provides one-time grant funding for specific capital betterments in social housing infrastructure.

On behalf of upper tier governments, the local SHRRP program is administered by the Regional Municipality of York through formal agreements with housing providers. The agreement spans a two year period and requires providers to report the additional funding and approved expenditures though a capital reserve.

The Corporation is approved to spend approximately $1,900,000 in the first year of the SHRRP agreement ending March 31, 2010. By December 31, 2009, the Corporation had spent $571,875 of the approved total.

	2009	2008
Balance, beginning of year	$ -	$ -
Contribution to Reserve (Accrued)	571,875	-
Expenditures	(571,875)	-
Net activity for the year	$ -	$ -
Balance, end of year	$ -	$ -

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(h) Additional Subsidy Agreement:

Pursuant to Section 111 of the *Social Housing Reform Act, 2000* and *Section 34 of Ontario Regulation 339/01*, the Regional Municipality of York may provide additional subsidies to housing providers participating in non-profit programs.

Through an agreement which identified the completion of four specific jobs that qualified for additional funding, the Corporation spent $467,857. This reserve will close in 2010 following receipt of the funds.

	2009	2008
Balance, beginning of year	$ -	$ -
Contribution to Reserve (Accrued)	467,857	-
Expenditures	(467,857)	-
Net activity for the year	$ -	$ -
Balance, end of year	$ -	$ -

5. 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.

(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.

On December 31, 2009 the following investment values are reported:

	Value	Total (%)
Security Description		
Social Housing Canadian Short Term Bond Fund	$ 3,003,742	67.3
Social Housing Canadian Bond Fund	724,556	16.2
Social Housing Canadian Equity Fund	735,416	16.5
Total Capital Repair and Replacement Reserve Investment	$ 4,463,724	100.0

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Year ended December 31, 2009

5. 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, 2009:

	Par Value	Maturity Date	Yield to Maturity
Security Description:			
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 (discounts)	87,909		
Total surplus operating investments	$ 2,587,909		

6. Related Party Transactions:

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

	2009	2008
Subsidies:		
Provincial Reform Program	$ 6,586,826	$ 6,312,188
Public Housing Programs	1,216,442	1,202,480
Blue Door Shelter	115,476	115,198
	$ 7,918,744	$ 7,629,866

The Regional Municipality of York provided contracted services of personnel, rental of office space, and other administrative costs. The cost of these services, aggregating $4,702,021 (2008 - $3,922,355) was charged to contracted services expenditures.

6. 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	2009	2008
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
Tom Taylor Place	Debenture Payable, 30 year Amortization with blended annual payment of $153,616	174,100	-
Total Debentures Payable		$ 665,996	$ 491,896

Debenture payments in 2009 for Tom Taylor Place include financing costs attributable to 2008.

7. 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 $4,545,639 at December 31, 2009. 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.

8. Inventory:

During 2009 Housing York Inc. piloted a central stockroom for minor spare parts that are used for unit repairs. The value of $45,025 assigned to the inventory on December 31, 2009 was based on a physical count of the items on hand times the average unit price.