

Financial Statements

Ottawa Community Housing Corporation
December 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ottawa Community Housing Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of **Ottawa Community Housing Corporation**, which comprise the balance sheet as at December 31, 2010, and the statements of operations and surplus, reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in note 2 to the financial statements, 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 auditors' judgment, 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 auditors consider 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 **Ottawa Community Housing Corporation** as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting described in note 2 to the financial statements.

Basis of accounting and restriction on use

As required by the *Ontario Business Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

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, Shareholder and Service Manager of the Corporation. These financial statements are not intended to be and should not be used by anyone other than the specified users or for another purpose.

Ottawa, Canada,
May 6, 2011.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Ottawa Community Housing Corporation
(Incorporated under the laws of Ontario)

BALANCE SHEET

As at December 31

	2010	2009
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	32,984,545	6,720,280
Rents receivable	1,448,251	1,215,843
Other accounts receivable	214,075	141,765
GST receivable	5,810,719	1,063,654
Prepaid expenses	2,056,375	1,856,911
Total Current Assets	42,513,965	10,998,453
Marketable securities <i>[note 3]</i>	11,137,453	18,597,158
Capital assets, net <i>[note 4]</i>	303,909,542	298,097,907
TOTAL ASSETS	357,560,960	327,693,518
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Subsidies payable		
City of Ottawa ("Service Manager") <i>[note 16]</i>	2,857,050	2,019,036
Accounts payable and accrued liabilities	16,040,542	14,391,794
Accrued interest on long-term debt	886,443	928,441
Prepaid rents and subsidies	1,285,328	1,135,040
WSIB future benefit costs - current <i>[note 13]</i>	149,764	192,231
Current portion of long-term debt <i>[note 6]</i>	16,277,699	15,090,834
Total current liabilities	37,496,826	33,757,376
Vested employee benefits <i>[notes 11 and 12]</i>	3,007,633	2,565,091
WSIB future benefit costs <i>[note 13]</i>	1,918,740	1,594,546
Forgivable loans <i>[note 5]</i>	2,000,401	2,034,001
Long-term debt <i>[note 6]</i>	272,360,502	270,046,813
TOTAL LIABILITIES	316,784,102	309,997,827
Commitments and Contingencies <i>[notes 14 and 15]</i>		
SHAREHOLDERS' EQUITY		
Share Capital	100	100
Contributed surplus <i>[note 8]</i>	2,400,135	1,650,135
Reserves <i>[note 9]</i>	38,376,623	16,045,456
Total shareholders' equity	40,776,858	17,695,691
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	357,560,960	327,693,518

See accompanying notes

On behalf of the Board:

Director 

Director 

Ottawa Community Housing Corporation

STATEMENT OF RESERVES

As at December 31

	Capital Reserves	Vehicle	Invested in Capital Assets	Federal Operating Surplus	Community Reinvestment Fund	Public Housing Operating Reserve Fund	Green Fund	2010	Total	2009
	\$	\$	\$	\$	\$	\$	\$	\$		\$
	[note 9 [a]]	[note 9 [b]]	[note 9 [h]]	[note 9 [g]]	[note 9 [e]]	[note 9 [d]]	[note 9 [c]]			
Balance, beginning of year	2,979,954	121,764	9,136,491	659,506	—	3,147,741	—	16,045,456		44,129,091
Susidy repayable to the Service Manager waived for repayment	—	—	—	—	—	—	—	—		150,050
Contributions from operations	13,256,468	—	—	1,052,706	(306,050)	(814,908)	—	13,188,216		14,327,211
Other contributions	33,295,974	330,932	1,666,886	—	100,133	—	1,001,797	36,395,722		1,476,154
Interest income & realized gains (losses) [note 3]	(1,579,011)	(13,811)	—	(17,630)	(1,233)	(116,359)	—	(1,728,044)		(2,431,770)
Unrealized gains (losses) from financial instruments designated as available-for-sale	2,638,067	23,075	—	29,455	—	194,402	—	2,884,999		6,249,565
Capital reserve expenses	(28,135,028)	(175,797)	—	—	(98,900)	—	—	(28,409,725)		(47,854,845)
Interfund Transfers [note 9 [i]]	746,656	—	—	(1,052,706)	306,050	—	—	—		—
Balance, end of year	23,203,080	286,163	10,803,377	671,331	—	2,410,876	1,001,797	38,376,624		16,045,456

See accompanying notes

Ottawa Community Housing Corporation

STATEMENT OF OPERATIONS AND SURPLUS

Year ended December 31

	2010	2009
	\$	\$
REVENUES		
Rents	63,081,515	62,237,015
Subsidies		
Service Manager <i>[note 16]</i>	65,787,434	64,768,550
Service Manager - Safer Communities	2,174,664	2,148,876
Other revenue	2,777,382	2,647,405
Total revenues	133,820,995	131,801,846
OPERATING COSTS		
Utilities	23,243,114	23,770,822
Maintenance material and services	16,156,955	15,704,023
Administration	14,023,354	13,071,472
Maintenance salaries, wages and benefits	10,507,961	9,849,221
Safer Communities	2,509,624	2,137,435
Other	2,128,235	2,042,317
Total operating costs	68,569,243	66,575,290
FIXED COSTS		
Municipal taxes	21,055,489	20,229,872
Interest on long term liabilities	15,814,865	16,453,286
Depreciation of capital assets	15,554,998	14,422,931
Less recoveries	(361,816)	(356,793)
Total fixed costs	52,063,536	50,749,295
Total expenses	120,632,779	117,324,585
Net revenue before reserve contributions	13,188,216	14,477,261
Reserve contribution - Public Housing operating reserve	(814,908)	(104,641)
Transfer to capital reserve fund <i>[note 9]</i>	13,963,124	13,681,663
Transfer to capital reserve fund - Safer Communities <i>[note 9]</i>	40,000	40,000
Transfer to reserves <i>[note 9]</i>	—	860,239
	13,188,216	14,477,261
Net surplus for the year	—	—

See accompanying notes

Ottawa Community Housing Corporation

STATEMENT OF CASH FLOWS

Year ended December 31

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Net revenues before reserve contributions for the year	13,188,216	14,477,262
Add (deduct) items not affecting cash		
Debenture Subsidy	(5,375,568)	(5,018,822)
Depreciation	15,554,998	14,422,931
Increase in vested employee benefits	442,542	455,579
Increase in WSIB benefits	281,727	325,059
Changes in non-cash working capital balances related to operations		
Subsidies payable - Service Manager	838,014	3,435,146
Rents receivable and other accounts receivable	(304,718)	(118,144)
GST receivable and prepaid expenses	(4,946,529)	(381,644)
Accounts payable and accrued liabilities	1,648,748	3,055,496
Accrued interest on long-term debt	(41,998)	(54,175)
Prepaid rents and subsidies	150,288	139,590
Cash provided by operating activities	21,435,720	30,738,278
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities, net	8,616,641	20,308,387
Acquisition of capital assets	(20,650,234)	—
Capital expenses charged to reserves	(28,409,725)	(47,854,847)
Cash used in investing activities	(40,443,318)	(27,546,460)
FINANCING ACTIVITIES		
Mortgages additions	18,700,000	—
Mortgage and loan repayments	(9,823,859)	(9,204,957)
Other contributions made to reserves	36,395,722	1,570,300
Cash used in financing activities	45,271,863	(7,634,657)
Net increase (decrease) in cash and cash equivalents during the year	26,264,265	(4,442,839)
Cash and cash equivalents, beginning of the year	6,720,280	11,163,119
Cash and cash equivalents, end of the year	32,984,545	6,720,280
Supplemental cash flow disclosure		
Cash paid for interest	15,856,863	16,507,460

See accompanying notes

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. ORGANIZATION

Ottawa Community Housing Corporation [the “Corporation”] provides and manages quality, safe and affordable housing for low and moderate income households in Ottawa.

Most of the mortgaged properties of the Corporation are governed by operating agreements with the Province of Ontario and/or Canada Mortgage and Housing Corporation [“CMHC”]. These agreements include provision for approval of rental rates, depreciation charges and contributions to the capital reserve. The operating agreements are administered by the Service Manager [“City of Ottawa”] under the Social Housing Reform Act, which has replaced operating agreements for some programs.

The Corporation is a non-profit organization under paragraph 149(1)(d) of the Income Tax Act (Canada) and, as such, is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Equity program is not governed by the Social Housing Reform Act and is accounted for in accordance with Canadian generally accepted accounting principles for non-profit organizations. For all other programs, these financial statements have been prepared in accordance with the significant accounting policies set out below, to comply with the requirements of the Social Housing Reform Act, which differs from Canadian generally accepted accounting principles because:

- [a] Due to the requirements of the operating directives as administered by the Service Manager, purchases of office furniture and equipment are charged directly to the capital reserve fund rather than being capitalized on the balance sheet and depreciated over their useful lives and transfers to reserves are reported as operating costs.
- [b] Capital assets are recorded at cost, less any external grants and funding from the reserves.
- [c] Depreciation of capital assets governed by the Social Housing Reform Act is provided for on a sinking fund basis, which matches the same basis as principal repayments on mortgages, debentures and loans during the year.
- [d] Realized and unrealized gains and losses and any impairment related to marketable securities are recorded directly to the statement of reserves rather than being recorded in the statement of operations and surplus.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

These financial statements are expressed in Canadian dollars and the following is a summary of the significant accounting policies used in the preparation of the Corporation's financial statements:

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three months or less.

Revenue recognition

The Corporation recognizes subsidies as revenue when received or receivable if all conditions required for the subsidy are met, the amount to be received can be reasonably estimated and collection is reasonably assured. The Corporation uses the accrual method of accounting to recognize rent revenue.

Financial instruments

Marketable securities have been classified as available-for-sale and are carried at fair value. Fair value is based on bid price for financial assets and offer price for financial liabilities. When the bid price is unavailable, the fair value is based on closing market price. The investment portfolio consists of bonds and equity instruments. Realized and unrealized gains and losses and any impairment related to marketable securities are recorded directly to the statement of reserves and not in the statement of operations and surplus. Settlement date accounting continues to be used for all marketable securities and transaction costs are expensed as incurred.

Long-term liabilities for sites where operating agreements are governed by the Social Housing Reform Act are recorded at cost. Long-term liabilities under the equity program are classified as loans and receivables and are carried at amortized cost. Where loans contain forgiveness clauses, they are recorded net of the forgiveness.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

As permitted by CICA Handbook Section 3855, the Corporation's other financial assets and liabilities continue to be presented at amortized cost which approximates fair value, due to their short-term nature.

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

Capital assets

Housing developments under the Social Housing Reform Act are recorded at cost, net of any government and reserves funding, less accumulated depreciation. Cost includes the original cost of the land and buildings, and other related costs. The cost of major improvements necessary to renovate and refurbish buildings which are financed by mortgages is included in housing development costs. Capital assets under the Equity Program are recorded at cost less accumulated depreciation.

The capital assets in the Public Program were recorded at carrying cost at the time of incorporation. The building value is equal to the outstanding debt obligation at the time of incorporation. Land was nominally valued at the time of incorporation. The buildings are depreciated at an amount equivalent to the retirement of the respective long-term debt which approximates the remaining useful life of the asset.

Depreciation

For sites where operating agreements are governed by the Social Housing Reform Act, the depreciation of capital assets is provided on the same basis as the principal repayments on mortgages, debentures and loans during the year. The depreciation of capital assets acquired by the Corporation under the Equity Program is calculated using the straight-line method based on the estimated useful lives of the assets, which range from 30 to 40 years.

Accrual accounting

The Corporation uses the accrual basis of accounting. Under this basis, expenses are recognized in the year incurred as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

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Interest on long-term debt

Interest on long-term debt includes interest accrued from the dates of the latest interest payments to the end of the financial year.

Deferred capital contributions

Deferred capital contributions for the purpose of acquiring depreciable capital assets or for major improvements to depreciable capital assets are deferred and amortized on the same basis, and over the same periods, as the related capital assets.

Reserves and investment in capital assets

Transfers to/from capital reserves and reserve contributions from operations are recorded in the statement of operations and surplus. Expenditures made from reserve funds are recorded in these funds and are not on the statement of operations and surplus. Realized and unrealized gains and losses and any impairment related to marketable securities of the reserve funds are recorded directly to the statement of reserves and are not recorded in the statement of operations and surplus.

Special grant contributions for capital repairs are recorded directly to the statement of reserves and are not recorded in the statement of operations and surplus.

Employee-related costs

The Corporation has adopted the following policies with respect to employee benefit plans:

- [i] The Corporation's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due;
- [ii] The costs of termination benefits and compensated absences are recognized when an event that obligates the Corporation occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- [iii] The costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance;

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

- [iv] Employee future benefit liabilities are discounted using current interest rates on long-term bonds; and
- [v] The costs of the workplace safety and insurance obligations are actuarially determined by the Workplace Safety and Insurance Board ["WSIB"] and expensed.

Future accounting changes

In March 2010, the Public Sector Accounting Board (PSAB) issued an Exposure Draft which proposed to incorporate the CICA Public Sector Accounting (PSA) Handbook Sections 4400 to 4470 in the PSA Handbook. The 4400 series would be included in the PSA Handbook as Sections PS 4200 to PS 4270.

This Exposure Draft also concluded that Government non-for-profit organizations (GNFPOs) will now have to adhere to the Public Sector Accounting (PSA) Handbook with Sections PS 4200 to PS 4270 or to adhere to the PSA Handbook without Sections PS 4200 to PS 4270. Considering the Corporation is considered a GNFPO, it will have to transition to the PSA Handbook on January 1, 2012.

3. MARKETABLE SECURITIES

The Corporation is subject to market risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage these risks, the Corporation has adopted an investment policy, with a target mix of investment types designed to achieve optimal return within reasonable risk tolerances.

The Corporation adopted an investment policy to establish principles and guidelines appropriate for the management of assets accumulated by the Corporation for the purpose of maintaining and preserving its residential properties. The objectives of the policy are:

- [a] to maintain the safety of capital;
- [b] to effectively utilize the assets that have accumulated; and
- [c] to maximize return at an acceptable level of risk.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

	2010		2009	
	Amortized cost \$	Fair value \$	Amortized cost \$	Fair value \$
Liquid assets	153,848	153,848	241,442	241,442
Government of Canada fixed income	224,136	222,817	—	—
Provincial fixed income	1,421,864	1,429,927	1,825,465	1,842,427
Municipal fixed income	129,598	139,766	129,598	134,790
Corporate fixed income	498,864	540,174	614,422	647,159
Canadian common equities	394,377	398,356	1,130,650	1,301,785
Foreign common equities	5,121,857	3,344,969	11,348,066	8,435,032
Mutual funds	4,849,061	4,907,595	6,365,688	5,994,523
	12,793,605	11,137,452	21,655,332	18,597,158

As at December 31, 2010, the realized loss net of income earned of \$1,728,044 included in the statement of reserves [2009 - \$2,431,770] contains \$1,485,067 [2009 - \$2,234,816] recognized by the Corporation as other than temporary impairment. Factors reviewed to determine whether impairment is other than temporary include significant or prolonged declines in fair value, financial reorganization, corporate restructuring, bankruptcies and other indications of liquidity problems, or the disappearance of an active market for the asset because of financial difficulties.

4. CAPITAL ASSETS

Capital assets as at December 31 consist of the following:

	2010 \$	2009 \$
Land	73,270,505	71,760,182
Prepaid land leases	1,103,996	1,103,996
Buildings and equipment	398,187,298	378,297,387
Leasehold improvements	650,400	684,000
	473,212,199	451,845,565
Less accumulated depreciation	(169,302,657)	(153,747,658)
Net book value	303,909,542	298,097,907

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

At December 31, 2010, the reserves invested in capital assets increased by \$1,666,886 to \$10,803,377 [2009 - \$9,136,491] due to the addition of capital assets such as Richelieu Court and Crichton.

Additional housing units

- [i] In 2010, the Corporation acquired a 31 unit property referred to as Richelieu Court. The property consists of 30 one bedroom apartments and a four bedroom bungalow. The property was purchased for \$1.9 million and \$111,869 was spent on capital upgrades. The purchase was funded from the Equity Capital Reserves. The Corporation is pursuing financing to fund part of the acquisition cost for the site. Funds obtained from financing will be contributed back to the Equity Capital Reserves.
- [ii] In 2009, the Corporation was offered a six unit, three storeys building by the City of Ottawa. The building was initially purchased by the City of Ottawa to accommodate the expansion of the Vanier Parkway. Due to changes in the long-term plans for the Vanier Parkway, the property was no longer required and was chosen for a rehabilitation initiative to provide affordable housing with the following key contributors. The City of Ottawa providing the property at no cost, the Ministry of Housing providing \$720,000 as a grant under the Affordable Housing Program, and donations of labour and materials from the trades involved in the Ottawa Congress Centre development. The Corporation has also incurred some costs related to the property for 2010.

5. FORGIVABLE LOANS

As at December 31, forgivable loans consist of the following:

	2010	2009
	\$	\$
Canada-Ontario Affordable Housing Program	1,740,000	1,740,000
Residential Rehabilitation Assistance Program ["RRAP"]	260,401	294,001
Forgivable loans	2,000,401	2,034,001

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Canada-Ontario Affordable Housing Program

The loan is not repayable as long as the project is operated within the terms and conditions of the agreement entered into with the Ministry of Municipal Affairs and Housing. As at December 31, 2010, the Corporation is in compliance with the terms and conditions of this agreement.

Residential Rehabilitation Assistance Program

These loans have been recorded as leasehold improvements which are depreciated at the same rate that the loans are forgiven. As at December 31, 2010, a principal balance of \$260,401 [2009 - \$294,001] remains as forgivable.

The unforgiving portion of the RRAP loans are not repayable as long as the projects are managed and operated within the terms and conditions of the mortgage and operating agreements entered into with CMHC. As at December 31, 2010, the Corporation is in compliance with the terms and conditions of this agreement.

6. LONG-TERM DEBT

As at December 31, long-term debt, which is described in detail in the accompanying Schedule A of these financial statements, consists of the following:

	2010	2009
	\$	\$
Mortgages	200,510,430	210,243,183
Debentures	69,518,877	74,894,468
Debenture – Infrastructure Ontario	18,608,894	—
	288,638,201	285,137,651
Less current portion of long-term debt	(16,277,699)	(15,090,834)
Long-term debt	272,360,502	270,046,817

Mortgages payable include all mortgages for which agreements have been signed.

In 2010, the Corporation secured a debenture loan with Infrastructure Ontario for \$18.7 million. The proceeds of the loan funded capital improvements incurred during the year. The expenses were capitalized as fixed assets and will be depreciated based on the life of the loan. The loan is repayable over 30 years at an interest rate of 4.96%, compounded monthly. Annual principal and interest payments total \$1.2 million and reflect the allocation of the loan proceeds across the Public (\$476,294), the MNP (\$524,188) and Equity (\$198,666) programs.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

The loan payments for the debt with Infrastructure Ontario are made monthly by the City of Ottawa and reflected in a corresponding reduction in the monthly subsidy payment made by the City Ottawa as Service Manager to the Corporation. The monthly subsidy is recognized at gross before the loan payment and the Corporation recognizes the loan payment as an expense.

The capital assets are pledged as collateral for the mortgages payable. Under the terms of the operating agreements and the Social Housing Reform Act, the Corporation may not further mortgage the capital assets of subject properties without the prior written approval of the Ministry of Municipal Affairs and Housing for the Province of Ontario and/or CMHC.

Principal repayments required for the years 2011 to 2015 and thereafter for the Corporation's debt outstanding as at December 31, 2010 are expected to be approximately as follows:

	\$
2011	16,277,699
2012	17,182,444
2013	18,094,680
2014	18,953,012
2015	19,592,403
Thereafter	198,537,963
	<u>288,638,201</u>

7. CREDIT FACILITY

The Corporation may avail up to \$2,000,000 with a chartered bank in the form of an operating Credit Line and/or standby Letters of Credit and/or Letters of Guarantee. These instruments bear interest at the bank's prime rate. The chartered bank includes a commission of 2% per annum and other fees of 0.25% per annum. As at December 31, 2010, no amount has been drawn against these instruments.

8. CONTRIBUTED SURPLUS

The contributed surplus of \$2,400,135 consists of \$1,650,135 which represents the net assets of the predecessor company (City of Ottawa Non-Profit Housing Corporation) that was transferred to the Corporation effective September 2, 2002. The remaining \$750,000 represents the land value for the Crichton Street property that was gifted by the Shareholder in 2010.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

9. RESERVES

The Corporation has the following reserves:

[a] Capital reserves

Capital reserves for the renovation or improvement of the contributing property, for work which meets the definition of capital repairs and maintenance. In addition, acquisitions of new capital assets required to maintain and manage the portfolio are expensed against the capital reserves. Contributions are made on an annual basis in accordance with program requirements or operating agreements.

For the year ended December 31, 2010, the contributions from operations amounted to \$13,256,468 [2009 - \$12,207,748].

In 2009, the City of Ottawa approved an allocation of \$8.9 million under the investing in Ontario Act (2008) and a further \$38.6 million under the Social Housing Renovation and Retrofit Program [“SHRRP”] that was jointly funded by the Federal and Provincial governments. Milestone funding for these programs began in 2010. The full \$8.9 million under the Investing in Ontario Act was received and was allocated to the site specific capital reserves where the work was completed under the program.

SHRRP funding of \$24.3 million was received in 2010 and was allocated to the specific capital reserves where work was approved under the program. In addition, the Service Manager approved a final payment under the Capital Repair Program of \$70,886. This was allocated to the Public Housing Capital Reserves.

Safer Communities Program: During the year, the Corporation has identified a capital reserve contribution for the Safer Communities Program of \$40,000 [2009 - \$40,000] to cover the replacement costs for security vehicles and hardware purchases for the program. In addition to this contribution, \$157,828 [2009 - \$208,786] was spent on capital work related to Safer Communities for digital video equipment, cameras and access systems.

[b] Vehicle Reserve

For 2010, there was a change to the funding and expenditure from the Vehicle Reserve. In 2010, the City of Ottawa transferred ownership of 24 vehicles to the Corporation and with the ownership transfer, provided \$330,932 to fund the purchase of replacement vehicles.

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The Vehicle Reserve was originally established to equalize vehicle operating costs from one operating budget year to another. The fund purpose has changed to fund the acquisition of new vehicles and \$175,797 was spent out of this fund in 2010 to acquire new vehicles. In prior years, the purchase of new vehicles was expensed against the capital reserves.

[c] Green Fund Reserve

The Green Fund Reserve was initiated in 2010 with an allocation of \$1,000,485 from grants received under the EcoENERGY Retrofit and Ontario Homes Energy Savings programs. The fund will be used at the discretion of management to support specific operational or capital expenditures which increase the environmental sustainability of the Corporation. Further contributions to the fund may come from:

- [i] Net receipts from energy grants which have not formed part of the budget envelope of the Capital Works Program;
- [ii] A proportion of net savings generated from sustainability projects when systems are in place to adequately quantify such savings; and
- [iii] A proportion of new income generated by sustainability projects (i.e. sale of energy).

In 2010, the Corporation has received revenue of \$1,312 for electricity generated by solar power panels located in Overbrook Lowren community.

[d] Public Housing Operating Reserve Fund

In 2008, the Service Manager and the Corporation agreed on a new operating agreement that took effect January 1, 2009 which includes a revision to the calculation of subsidy funding for the Public Housing Program. The new subsidy funding follows a formula for the Provincial Reformed Program and allows for both operating and capital reserves for the Public Housing Program.

Contributions are made at year-end in amounts set down in the subsidy calculations. For the 2010 fiscal year, \$814,908 [2009 - \$206,539 contributed from] was funded from the Public Housing Operating Reserve Fund.

[e] Community Reinvestment Fund

The Community Reinvestment Fund is a discretionary fund that exists to maintain or develop housing or services. The fund consists of retained earnings from housing programs not subject to operating agreements. Contributions from operations to the Community Reinvestment Fund are included in the determination of excess revenue or expenses for the year.

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December 31, 2010

- [i] For the year 2010, the Corporation did not contribute to the Community Reinvestment Fund [2009 - \$860,239 transferred to Equity Capital Reserves] since there was no excess revenue in certain programs. The deficit for the programs covered by the Community Reinvestment Fund totalled \$306,050 and was funded from the operating surplus generated in the Federal program.

	2010	2009
	\$	\$
Equity programs	891,252	1,630,484
Municipal non-profit	(269,197)	(85,178)
Provincial reformed	(928,105)	(685,067)
	<u>(306,050)</u>	<u>860,239</u>

[f] Internal borrowings

- [i] In early 2011, the Board of Directors approved the write-off in 2010 of the remaining loan assigned to the Somerset Rooming House. Interest and principal repayments of \$88,566 have been charged to the Somerset Rooming House operations and credited back to the Community Reinvestment Fund. As at December 31, 2010, no principal balance [2009 - \$87,476] remains outstanding.

[g] Federal Operating Surplus

Operating surpluses in the Federal program are contributed either to the capital reserves for the sites in the program, or to the Federal Operating Surplus. The Federal Operating Surplus was identified in 2004 and consists of the cumulative operating surpluses generated in the communities sponsored and the limited dividend apartment programs, for sites where operating agreements still exist. For 2010, part of the operating surplus of \$1,052,706 [2009 - \$1,437,755] generated by these sites was distributed to cover the Municipal Non-Profit and Provincial reformed deficits of \$306,050. The remaining Federal operating surplus of \$746,656 was contributed to the capital reserves for the sites in this program.

[h] Investment in Capital Assets

Investment in Capital Assets consists of housing acquisitions within the Equity Program. The account relates to contributions that were made toward the purchase of new rental units from retained earnings of housing programs not subject to operating agreements. The fund balance reflects the depreciation of the assets. At December 31, 2010, due to the acquisition

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

of capital assets, this reserve has been increased to \$10,803,377 [2009 - \$9,136,491]. The disclosure on capital assets acquisition is provided in note 4.

[i] Interfund transfers

The interfund transfer, identified in the statement of reserves, includes the transfer of the operating surplus in the Federal Program, net of the deficits in the MNP and Provincial Reformed programs and the internal loan, which was transferred to the capital reserves in the Federal Program.

10. PENSION AGREEMENTS

The Corporation makes matching contributions to the Ontario Municipal Employees Retirement Fund ["O.M.E.R.S."] which is a multi-employer plan on behalf of 295 [2009 - 280] members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

The amount contributed to O.M.E.R.S. for 2010 was \$1,311,584 [2009 - \$1,198,248] for current year service and is included as an expense in the statement of operations and surplus.

11. LIABILITY FOR ANNUAL LEAVE BENEFITS

The Corporation recognizes sick leave and annual leave expenses as they accrue to employees. This results in the creation of a liability for vested employee benefits. As at December 31, 2010, the Corporation reported a liability of \$978,188 [2009 - \$897,026]. Banked sick leave has no cash value and is not payable upon termination.

12. LIABILITY FOR FUTURE EMPLOYEE BENEFIT COSTS - MEDICAL COVERAGE

The Corporation provides medical coverage to bargaining unit employees who retire between the ages of 55 and 65 with an unreduced pension. The cost of the benefit is expensed over the life of the employee's service with the Corporation. As at December 31, 2007, the Corporation performed an actuarial valuation of this benefit which was extrapolated annually thereafter and estimated the liability at \$2,029,445 [2009 - \$1,668,065] as at December 31, 2010. The net periodic benefit cost was \$378,176 [2009 - \$391,458].

The discount rate used to determine the accrued benefit obligation was 5.25% [2009 - 6.25%]. The amount of the employee future benefits and related accrued benefit obligation are affected by escalation of health care costs. The assumed health care cost trend rate for 2010 used to measure

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

the expected cost of benefits covered by the plan is 10% [2009 - 10%], grading linearly to 5% in 2018. A 1% increase in the assumed health care cost trend rate would result in a \$284,122 increase in the estimated liability and the net periodic benefit cost while a 1% decrease in the assumed health care cost trend rate would result in a \$243,533 decrease in the estimated liability and net period benefit cost.

13. LIABILITY FOR FUTURE BENEFIT COSTS - WORKPLACE SAFETY AND INSURANCE BOARD

As at December 31, 2010, the Corporation reported a liability of \$2,068,504 [2009 - \$1,786,777] as actuarially determined by the WSIB for the valuation of the benefits liabilities, of which \$149,764 is current [2009 - \$192,231].

14. CONTINGENCIES

In the normal course of operations, the Corporation becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 2010 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

15. COMMITMENTS

The Corporation has commitments on capital projects at December 31, 2010 in the amount of \$24 million [2009 - \$13.2 million].

16. RELATED PARTY TRANSACTIONS

The Corporation transacts with its sole shareholder the City of Ottawa and its subsidiaries [the "City"], who also acts as the Service Manager for the subsidized programs. The transactions include receipt of subsidy payments from the City and payments of property taxes, purchase of electricity and water and sewage charges to the City. These transactions are all in the normal course of business for the Corporation. Total subsidy revenue amounted to \$67,962,098 [2009 - \$66,917,426], with a balance of \$2,857,047 payable [2009 - \$2,019,036 payable] as at December 31, 2010. Included in the December 31, 2010 statement of reserve, the Corporation recorded capital grants from the City of \$8,970,886 [2009 - \$1,761,585]. Property taxes of \$21,055,489 [2009 - \$20,229,872], electricity charges of \$7,274,240 [2009 - \$7,380,595] and water and sewage charges of \$10,462,453 [2009 - \$9,966,802] were expensed in 2010, with a balance of \$2,301,129 [2009 - \$2,427,228] payable as at December 31, 2010.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

17. CAPITAL MANAGEMENT

In managing capital, the Corporation focuses on liquid resources available for operations and capital expenditures. The Corporation's objective is to have sufficient liquidity to manage both operating and capital expenditures. The need for sufficient liquidity is considered in the preparation of an annual budget and in the monitoring of cash flows and actual results compared to the budget. As at December 31, 2010, the Corporation has met its objective of having sufficient liquidity to meet its current obligations.

18. FINANCIAL INSTRUMENTS

Credit risk

The Corporation is exposed to credit risk on the rents receivable from tenants and on other receivables from other parties. In order to reduce its credit risk, the Corporation has adopted credit policies which include the regular review of outstanding receivables. The Corporation does not have a significant exposure to any individual tenant or other parties.

Interest rate risk

The investments with flexible interest rates will expose the Corporation to interest rate risk. There is risk of market value adjustments on investments which may result in cash flow risk.

The short-term bank credit facilities bear interest at fluctuating rates. Due to the positive cash flow of the Corporation, there has been no need to use the credit facility in the last few years, thus the exposure to interest rate risk on this facility is nominal. All other financial assets and liabilities, in the form of receivables and payables, are non-interest bearing. There is an interest rate risk in the Equity Program with regard to refinancing of mortgages at renewal.

Market risk

Investment in financial instruments does expose the Corporation to market risk. These include the risk arising from changes in interest rates, in rates of exchange and in the equity markets both domestic and foreign. They also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

Concentration of risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. The Corporation has adopted an investment policy, with a target mix of investment types designed to achieve optimal return within reasonable risk tolerance.

Ottawa Community Housing Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

19. COMPARATIVE FIGURES

Certain amounts were reclassified to conform to the presentation adopted in the current year.

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

MORTGAGES

Program & Property	Maturity Date	Interest Rate %	Principal Dec 31/2009 \$	Mortgage renewal issued in 2010 \$	Repayments 2010			Principal Dec 31/2010 \$
					Interest \$	Principal \$	Yrly Payment \$	
BANK OF MONTREAL								
Equity General								
Ron Kolbus Place	2013/12/01	5.750%	2,834,259	—	158,544	85,868	244,412	2,748,391
Provincial Reformed								
Hintonburg Place	2028/03/01	6.011%	6,360,865	—	369,405	199,051	568,456	6,161,814
Head Office	2016/05/01	4.910%	1,710,986	—	81,602	46,552	128,154	1,664,434
Total Bank of Montreal			10,906,110	—	609,551	331,471	941,022	10,574,639

CANADA MORTGAGE AND HOUSING CORPORATION**Limited Dividend - Apartments**

MacDonald Manor	2015/08/01 & 2017/10/01	5.125 & 5.875%	551,765	—	28,927	67,484	96,411	484,281
Pere Charlebois	2017/10/01	5.875%	145,318	—	8,037	15,095	23,132	130,223
Queen Mary Court	2013/07/01	5.125%	80,119	—	3,581	20,916	24,497	59,203
Donald Court	2017/01/01 & 2017/10/01	5.375 & 6.125%	297,103	—	15,736	33,701	49,437	263,402
Blair House	2017/10/01	6.125%	204,161	—	11,772	21,016	32,788	183,145

Community Sponsored

Beausejour 1 & 2	2014/07/01 & 2029/02/01	8.000%	3,541,684	—	257,715	109,216	366,931	3,432,468
Carson/Paul	2027/09/01	8.000%	2,122,855	—	158,729	46,775	205,504	2,076,080
Donald, 68	2013/05/01	8.000%	17,149	—	592	4,462	5,054	12,687
Marguerite, 965	2013/04/01	8.000%	16,782	—	596	4,503	5,099	12,279
Tweedsmuir	2028/02/01	8.000%	501,614	—	37,624	10,523	48,147	491,091
Riddell	2027/10/01	8.000%	177,097	—	13,250	3,864	17,114	173,233
Edgeworth, 460	2027/10/01	8.000%	293,564	—	21,964	6,404	28,368	287,160
Breezehill, 170	2013/04/01	8.000%	30,575	—	1,087	8,199	9,286	22,376
Flora, 331	2013/02/01	8.000%	17,151	—	562	4,883	5,445	12,268

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

MORTGAGES

Program & Property	Maturity Date	Interest Rate %	Principal Dec 31/2009 \$	Mortgage renewal issued in 2010 \$	Repayments 2010			Principal Dec 31/2010 \$
					Interest \$	Principal \$	Yrly Payment \$	
Frank	2013/02/01	8.000%	74,514	—	2,442	21,208	23,650	53,306
Mcleod, 571	2013/04/01	8.000%	15,405	—	547	4,134	4,681	11,271
Spruce, 51	2013/05/01	8.000%	13,267	—	458	3,452	3,910	9,815
Kilborn, 1670	2013/02/01	8.000%	264,369	—	8,662	75,255	83,917	189,114
Ashgrove	2029/02/01	8.000%	3,474,438	—	263,742	68,636	332,378	3,405,802
Municipal Non-Profit								
Beausejour 4	2011/06/01	6.330%	187,565	—	11,349	13,051	24,400	174,514
Haley Court	2011/06/01	6.330%	563,396	—	34,200	35,284	69,484	528,112
Bruyère & Bélanger Manor	2013/12/01	5.140%	1,737,844	—	84,638	161,848	246,486	1,575,996
Bathgate Court	2011/06/01	6.330%	1,528,010	—	91,378	144,262	235,640	1,383,748
Cairine Court	2016/04/01	4.480%	1,646,479	—	70,106	147,226	217,332	1,499,253
Dubeau Court	2016/04/01	4.480%	709,270	—	30,200	63,422	93,622	645,848
Spadina Place	2015/10/01	4.170%	690,783	—	27,527	54,727	82,254	636,056
Eva Taylor	2013/12/01	5.140%	1,467,558	—	71,437	138,303	209,740	1,329,255
Loretta/Young	2017/06/01	4.720%	811,027	—	35,942	92,469	128,411	718,558
Lebreton 1	2012/06/01	4.550%	714,412	—	29,670	123,384	153,054	591,028
Christie Place	2011/06/01	6.330%	2,314,041	—	140,553	141,996	282,549	2,172,045
Lebreton 3	2017/08/01	4.720%	733,898	—	32,569	81,520	114,089	652,378
Nepean, Place	2015/10/01	4.170%	2,369,895	—	94,542	182,308	276,850	2,187,587
Woodland Place	2011/06/01	6.330%	2,618,923	—	159,071	160,704	319,775	2,458,219
Cahill Place	2016/02/01	4.320%	3,175,129	—	131,352	235,538	366,890	2,939,591
Tapiola Court	2019/08/01	3.440%	3,134,900	—	102,735	278,510	381,245	2,856,390
Shearwater Court	2017/06/01	4.720%	1,498,636	—	66,414	170,867	237,281	1,327,769

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

MORTGAGES

Program & Property	Maturity Date	Interest Rate %	Principal Dec 31/2009 \$	Mortgage renewal issued in 2010 \$	Repayments 2010			Principal Dec 31/2010 \$
					Interest \$	Principal \$	Yrly Payment \$	
ADDENDA CAPITAL								
Equity General								
Cumberland 312	2011/04/01	4.448%	1,793,378	—	77,492	77,262	154,754	1,716,116
Total Addenda Capital			1,793,378	—	77,492	77,262	154,754	1,716,116

SCOTIA MORTGAGE

Equity General								
King Edward, 303	2012/08/01	5.990%	251,258	—	14,150	26,695	40,845	224,563
Municipal Non-Profit								
MacKay, 375	2016/08/01	5.033%	85,423	—	4,004	11,080	15,084	74,343
Woodland Place	2018/09/01	4.443%	1,669,813	—	71,270	112,006	183,276	1,557,807
Provincial Reformed								
Rockingham, 1126	2012/07/01	5.844%	3,019,848	—	171,703	102,137	273,840	2,917,711
Hasenack Place	2012/07/01	5.844%	3,185,926	—	181,146	107,754	288,900	3,078,172
Allard Place	2012/12/01	5.418%	3,688,431	—	194,575	125,213	319,788	3,563,218
St. Laurent Place	2016/08/01	5.033%	7,752,359	—	379,267	304,085	683,352	7,448,274
Marion Dewar Place	2024/05/01	5.830%	8,546,346	—	487,001	203,020	690,021	8,343,326
Cumberland/George	2017/01/01	4.366%	2,994,617	—	126,465	157,863	284,328	2,836,754
Winthrop Court	2018/09/01	4.443%	2,992,100	—	128,430	164,622	293,052	2,827,478
Bronson Terrace	2016/05/01	4.894%	1,143,386	—	54,215	53,593	107,808	1,089,793
Mayview, 1433	2016/05/01	4.894%	1,995,819	—	94,635	93,549	188,184	1,902,270
Lexington	2016/05/01	4.894%	3,057,777	—	144,990	143,310	288,300	2,914,467
St. Peter's Court	2017/09/01	4.946%	2,806,559	—	133,774	162,578	296,352	2,643,981
Lebreton, 55-65	2012/03/01	4.368%	870,009	—	36,573	55,059	91,632	814,950
Karsh Court	2017/06/01	4.713%	2,929,392	—	132,976	176,793	309,769	2,752,599
McCartin Place	2017/06/01	4.713%	4,020,134	—	184,407	152,181	336,588	3,867,953
Total Scotia Mortgage			51,009,197	—	2,539,581	2,151,538	4,691,119	48,857,659

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

MORTGAGES

Program & Property	Maturity Date	Interest Rate %	Principal Dec 31/2009 \$	Mortgage renewal issued in 2010 \$	Repayments 2010			Principal Dec 31/2010 \$
					Interest \$	Principal \$	Yrly Payment \$	
TORONTO DOMINION BANK								
Equity General								
380 Somerset St	2015/12/01	4.800%	3,178,319	—	149,097	90,418	239,515	3,087,901
Arlington	2018/12/01	6.040%	1,313,270	—	77,299	38,392	115,691	1,274,878
Provincial Reformed								
Silver Heights	2014/11/01	5.035%	3,644,919	—	177,790	169,043	346,833	3,475,876
Strathcona: Wiggins, 300	2011/03/01	6.123%	2,355,801	—	140,003	88,607	228,610	2,267,194
Strathcona: Wiggins 310, 320	2017/03/01	4.547%	9,921,503	—	438,924	389,219	828,143	9,532,284
Lady Stanley Place	2023/08/01	6.005%	4,756,134	—	275,817	232,858	508,675	4,523,276
McAuley Place	2024/06/01	6.100%	9,969,188	—	592,175	304,913	897,088	9,664,275
Scotthill	2024/12/01	6.752%	8,139,436	—	534,538	246,462	781,000	7,892,974
Vachon Place	2023/11/01	5.967%	3,703,448	—	215,063	120,179	335,242	3,583,269
Total Toronto Dominion Bank			46,982,018	—	2,600,706	1,680,091	4,280,797	45,301,927
GREAT WEST LIFE								
Provincial Reformed								
Thorncliffe Court	2015/08/01	4.360%	4,150,245	—	176,183	160,105	336,288	3,990,140
Total Great West Life			4,150,245	—	176,183	160,105	336,288	3,990,140

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

MORTGAGES

Program & Property	Maturity Date	Interest Rate %	Principal Dec 31/2009 \$	Mortgage renewal issued in 2010 \$	Repayments 2010			Principal Dec 31/2010 \$
					Interest \$	Principal \$	Yrly Payment \$	
ROYAL BANK								
Municipal Non-Profit								
Beausejour 3	2016/06/01	4.821%	165,945	—	7,437	22,308	29,745	143,637
Lebreton 2	2016/06/01	4.821%	557,937	—	25,005	75,004	100,009	482,933
Blohm Court	2012/07/01	5.072%	2,829,396	—	138,239	165,576	303,815	2,663,820
Brian Bourns, Place	2019/08/02	4.204%	1,830,214	—	74,853	75,086	149,939	1,755,128
Strathcona: Wiggins, 206-296	2014/08/01	3.288%	3,207,391	—	102,974	118,939	221,913	3,088,452
2-50 Jessica	2017/11/01	4.963%	5,308,996	—	256,571	189,601	446,172	5,119,395
Total Royal Bank			13,899,879	—	605,079	646,514	1,251,593	13,253,365
GRAND TOTAL ALL MORTGAGES			210,243,182	—	10,569,224	9,732,752	20,301,976	200,510,430

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

FORGIVABLE LOANS	Interest Rate %	Maturity Date	Forgivable loan \$	Principal Dec 31/2009 \$	Forgivable portion 2010 \$	Principal Dec 31/2010 \$
Sites						
380 Somerset St	0.000%	2025/12/01	1,740,000	1,740,000	—	1,740,000
Total Forgivable Loan Canada-Ontario Affordable Housing Program			1,740,000	1,740,000	—	1,740,000
Sites						
17 Willow	8.250%	2018/10/01	504,000	294,001	33,600	260,401
Total Residential Rehabilitation Assistance Program Loans			504,000	294,001	33,600	260,401
GRAND TOTAL ALL FORGIVABLE LOANS			2,244,000	2,034,001	33,600	2,000,401

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

DEBENTURES	Interest Rate %	Maturity Date	Principal Dec 31/2009 \$	Repayments 2010		Principal Dec 31/2010 \$
				Principal \$	Interest \$	
Debentures Payable - Public Program						
Various Projects	4.910%	2014/01/01 to 2026/01/01	74,894,465	5,375,588	5,059,190	69,518,877
Total Debentures - Public Program			74,894,465	609,551	331,471	69,518,877

SCHEDULE OF MORTGAGES, DEBENTURES & LOANS

As at December 31

DEBENTURES - Infrastructure Ontario	Interest Rate %	Maturity Date	Principal Dec 31/2009 \$	Debentures issued in 2010 \$	Repayments 2010		Principal Dec 31/2010 \$
					Principal \$	Interest \$	
Debentures - Infrastructure Ontario							
Various Projects	4.960%	2040/01/16	—	18,700,000	91,106	308,610	18,608,894
Total Debentures - Infrastructure Ontario			—	18,700,000	609,551	331,471	18,608,894

ACCOUNTANTS' REPORT

Our audit of the financial statements of **Ottawa Community Housing Corporation** [the "Corporation"] as at December 31, 2010 and for the year then ended was made for the purpose of forming an opinion on the financial statements referred to in our Auditors' Report to the Board of Directors dated May 6, 2011.

The following Schedule of Program Summaries comprising Schedule B is provided for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on the fair presentation of the information in the Schedule of Program Summaries.

Ottawa, Canada,
May 6, 2011.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

PROGRAM SUMMARIES

[unaudited – see Accountants' Report]

As at December 31, 2010

	2010 Budget	2010 Actual	Federal	Equity	Municipal Non Profit	Provincial Reformed	Public
	\$	\$	\$	\$	\$	\$	\$
OPERATING COSTS							
Maintenance salaries, wages and benefits	10,800,400	10,507,961	686,664	933,384	627,119	1,852,408	6,408,386
Maintenance material and services	15,588,400	16,156,955	1,212,223	1,689,724	1,209,097	3,603,718	8,442,193
Administration	13,673,000	14,023,354	979,652	1,265,665	1,040,695	2,548,317	8,189,025
Safer Communities	2,417,400	2,509,624	174,924	242,624	179,391	431,852	1,480,833
Insurance	1,471,100	1,497,452	101,375	159,336	103,964	267,977	864,800
Bad debts	702,300	630,783	43,376	96,269	59,649	74,681	356,808
Total manageable costs	44,652,600	45,326,129	3,198,214	4,387,002	3,219,915	8,778,953	25,742,045
Utilities							
Electricity	7,072,900	7,274,240	559,982	392,463	104,269	815,258	5,402,268
Fuel	6,884,200	5,506,421	196,997	232,607	90,687	513,286	4,472,844
Water and sewage	10,820,100	10,462,453	823,066	961,805	769,200	2,007,933	5,900,449
Total	24,777,200	23,243,114	1,580,045	1,586,875	964,156	3,336,477	15,775,561
Total operating costs	69,429,800	68,569,243	4,778,259	5,973,877	4,184,071	12,115,430	41,517,606
FIXED COSTS							
Municipal taxes	21,352,100	21,055,489	1,337,607	2,120,895	1,584,078	4,147,403	11,865,506
Interest - mortgages	10,505,700	10,447,065	832,320	607,804	1,311,498	7,695,443	—
Interest - debentures	5,059,600	5,059,190	—	—	—	—	5,059,190
Interest - Infrastructure ON	—	308,610	—	51,129	134,904	—	122,577
Principal - mortgages	9,942,500	10,088,304	529,725	851,341	2,445,818	6,261,420	—
Principal - debentures	5,375,600	5,375,588	—	—	—	—	5,375,588
Principal - Infrastructure ON	—	91,106	—	15,094	39,825	—	36,187
Capital reserve contribution	13,215,600	13,216,468	1,002,700	1,391,768	634,400	1,701,700	8,485,900
Transfer to capital reserve fund	—	746,656	746,656	—	—	—	—
Capital reserve contribution - Safer Communities	40,000	40,000	2,754	3,821	2,825	7,281	23,319
Reserve contribution to (from) operating reserves	(1,836,200)	(814,908)	—	—	—	—	(814,908)
Total shelter expenses	133,084,700	134,182,811	9,230,021	11,015,729	10,337,419	31,928,677	71,670,965
Less: Recoveries	—	(361,816)	—	(361,816)	—	—	—
Total expenses	133,084,700	133,820,995	9,230,021	10,653,913	10,337,419	31,928,677	71,670,965

PROGRAM SUMMARIES

[unaudited – see Accountants' Report]

As at December 31, 2010

	2010 Budget	2010 Actual	Federal	Equity	Municipal Non Profit	Provincial Reformed	Public
	\$	\$	\$	\$	\$	\$	\$
REVENUES							
Rents	(62,424,100)	(63,081,515)	(4,263,784)	(8,672,032)	(5,927,197)	(8,806,551)	(35,411,951)
Subsidies							
Service Manager	(66,784,200)	(65,787,434)	(5,009,974)	(2,343,404)	(3,938,720)	(21,279,062)	(33,216,274)
Service Manager - Safer Communities	(2,174,600)	(2,174,664)	(149,770)	(207,771)	(153,626)	(395,895)	(1,267,602)
Other revenue	(3,026,800)	(2,777,382)	(112,543)	(321,958)	(48,679)	(519,064)	(1,775,138)
Total revenues	(134,409,700)	(133,820,995)	(9,536,071)	(11,545,165)	(10,068,222)	(31,000,572)	(71,670,965)
Grand total - (surplus)/deficit	(1,325,000)	—	(306,050)	(891,252)	269,197	928,105	—

PROGRAM SUMMARIES

[unaudited – see Accountants' Report]

As at December 31, 2010

	2010 Actual \$	Federal \$	Equity \$	Municipal Non Profit \$	Provincial Reformed \$	Public \$
CAPITAL RESERVES						
Beginning balance	(2,979,954)	(12,900,556)	(234,115)	2,554,195	(4,808,259)	12,408,781
Contributions from operations	(13,256,468)	(1,005,454)	(1,395,589)	(637,225)	(1,708,981)	(8,509,219)
Other Contributions	(33,295,974)	(520,797)	—	(4,467,483)	(1,609,354)	(26,698,340)
Interfund transfers	(746,656)	(746,656)	2,825,374	(2,825,374)	—	—
Capital reserves expenses	28,135,028	1,609,823	76,612	—	4,193,033	22,255,560
Interest income & realized (gains) losses	1,579,011	657,425	454,575	254,819	186,457	25,735
Unrealized (gains) losses from investments	(2,638,067)	(1,098,366)	(759,462)	(425,728)	(311,515)	(42,996)
Balance, end of year	(23,203,080)	(14,004,581)	967,395	(5,546,796)	(4,058,619)	(560,479)