

SWANSEA TOWN HALL RESIDENCES

FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2008



NEWMAN & SVERSKY LLP
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Directors of
Swansea Town Hall Residences
and The City of Toronto

We have audited the statement of financial position of Swansea Town Hall Residences as at September 30, 2008 and the statements of operating fund, replacement reserve fund and cash flows for the year then ended. These financial statements have been prepared to comply with the provisions for non-profit housing as required by the City of Toronto - Social Housing Unit. These 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 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 September 30, 2008 and the results of its operations for the year then ended in accordance with the accounting policies as disclosed in Note 2 to the financial statements.

These financial statements, which have not been, nor were intended to be prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors of Swansea Town Hall Residences, to comply with the provisions for non-profit housing as required by the City of Toronto. 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.

Toronto, Canada
December 18, 2008


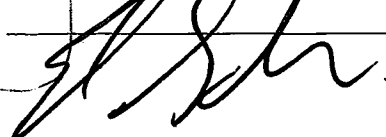

CHARTERED ACCOUNTANTS
Licensed Public Accountants

SWANSEA TOWN HALL RESIDENCES
 (An Ontario Corporation Without Share Capital)
STATEMENT OF FINANCIAL POSITION
 AS AT SEPTEMBER 30, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	\$ 348,922	\$ 324,129
Prepaid expenses and sundry	18,393	15,437
City of Toronto - Social Housing Unit receivable	41,846	44,221
	409,161	383,787
RESTRICTED CASH AND DEPOSITS		
Replacement reserve fund (Note 3)	455,108	512,189
PROPERTY, PLANT AND EQUIPMENT		
Land and building	7,472,757	7,472,757
Less: Accumulated amortization	1,489,336	1,334,151
	5,983,421	6,138,606
	\$ 6,847,690	\$ 7,034,582
LIABILITIES		
CURRENT		
Accounts payable	\$ 30,542	\$ 22,064
Last month rent deposits	40,132	40,520
Due to City of Toronto - Social Housing Unit	14,028	30,961
Accrued mortgage payment	43,963	43,963
	128,665	137,508
MORTGAGE PAYABLE (Note 4)	6,075,496	6,230,681
	\$ 6,204,161	\$ 6,368,189
NET ASSETS	\$ 643,529	\$ 666,393
NET ASSETS REPRESENTED BY:		
Operating fund (Page 3)	\$ 188,421	\$ 154,204
Replacement reserve fund (Page 4)	455,108	512,189
	\$ 643,529	\$ 666,393

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE BOARD:

 DIRECTOR
 DIRECTOR

SWANSEA TOWN HALL RESIDENCES

(An Ontario Corporation Without Share Capital)

STATEMENT OF OPERATING FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008 Actual	2008 Budget (Note 5) (Unaudited)	2007 Actual
REVENUE			
Rent			
Subsidized	\$ 207,176	\$ 200,000	\$ 201,146
Market	310,062	311,244	303,535
City of Toronto subsidy	502,163	502,163	530,661
Laundry income	7,470	6,375	6,257
Parking income	5,070	5,400	4,750
Interest and other income	12,710	6,500	7,759
Total revenue	1,044,651	1,031,682	1,054,108
EXPENSES			
Maintenance wages and benefits	52,271	58,500	57,980
Maintenance, material and services (Page 7)	69,018	70,500	73,146
Hydro	62,176	68,852	63,009
Gas	78,624	95,000	88,872
Water	12,008	16,500	15,881
Insurance	8,656	9,800	9,837
General and office	12,051	4,500	8,061
Management fees	22,737	28,000	27,909
Professional fees	5,004	7,000	4,870
Telephone	1,174	2,500	2,256
Bad debt expense	452	-	-
	324,171	361,152	351,821
Mortgage interest	372,374	372,559	381,456
Amortization	155,184	155,000	146,103
Replacement reserve	38,471	38,471	38,471
Municipal taxes	106,206	104,500	104,866
	672,235	670,530	670,896
Total expenses	996,406	1,031,682	1,022,717
SURPLUS BEFORE AMOUNT REPAYABLE	48,245	-	31,391
Estimated amount repayable to City of Toronto - Social Housing Unit	14,028	-	30,961
SURPLUS	34,217	-	430
BALANCE - Beginning of year	154,204	-	153,774
BALANCE - End of year	\$ 188,421	\$ -	\$ 154,204

See accompanying notes to the financial statements

SWANSEA TOWN HALL RESIDENCES

(An Ontario Corporation Without Share Capital)
STATEMENT OF REPLACEMENT RESERVE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008	2007
REVENUE		
Capital gains on marketable securities	\$ -	\$ 10,278
Current year's funding	38,471	38,471
Interest	38,662	42,371
Unrealized gains (losses) on marketable securities	(125,498)	46,324
	(48,365)	137,444
EXPENSES		
Air ducts and motor unit	-	4,439
Appliances	1,938	2,047
Carpet and flooring	-	25,515
Consultant and cleaning equipment	1,590	155
Painting	-	21,125
Paving and road work	4,028	3,914
Phantom screens	1,160	4,975
Plumbing and heating	-	1,868
Security	-	3,835
Toilets and shower heads	-	13,468
	8,716	81,341
SURPLUS (DEFICIT)	(57,081)	56,103
BALANCE - Beginning of year	512,189	456,086
BALANCE - End of year	\$ 455,108	\$ 512,189

SWANSEA TOWN HALL RESIDENCES

(An Ontario Corporation Without Share Capital)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008	2007
OPERATING ACTIVITIES		
Surplus for the year - operating fund	\$ 48,245	\$ 430
Adjustment for:		
Amortization	155,184	146,103
	203,429	146,533
Changes in non-cash working capital:		
Prepaid expenses and sundry	(2,956)	(4,748)
City of Toronto - Social Housing Unit receivable	2,375	(1,598)
Ministry of Municipal affairs and Housing - Escrow Fund	-	89,810
Accounts payable	8,479	483
Last month rent deposit	(388)	334
Cash provided by operating activities	210,939	230,814
FINANCING ACTIVITIES		
Due to City of Toronto - Social Housing Unit	(30,961)	15,149
Mortgage payable	(155,185)	(146,103)
Surplus for the year - replacement reserve fund	(57,081)	56,103
Cash used in financing activities	(243,227)	(74,851)
NET INCREASE (DECREASE) IN CASH	(32,288)	155,963
CASH - Beginning of year	836,318	680,355
CASH - End of year	\$ 804,030	\$ 836,318
CASH IS REPRESENTED BY:		
Cash	\$ 348,922	\$ 324,129
Replacement reserve fund	455,108	512,189
	\$ 804,030	\$ 836,318

SWANSEA TOWN HALL RESIDENCES

(An Ontario Corporation Without Share Capital)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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1. DESCRIPTION OF BUSINESS

The primary operation of the entity is to provide affordable housing for senior citizens in the Toronto area on a non-profit basis.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared to meet the requirements of the City of Toronto - Social Housing Unit. This basis of accounting differs materially from Canadian generally accepted accounting principles.

a) Property, plant and equipment

The property, plant and equipment are recorded at cost.

Amortization taken on property, plant and equipment equals the annual principal reduction on the mortgage payable to the Toronto-Dominion Bank.

In November 1991, the corporation entered into a lease with the City of Toronto to lease for a forty-nine year period, the land which the residences are located. The cost of the land lease is included in the cost of the land and building.

b) Revenue and expenses

Revenue and expenses are recorded according to the accrual basis of accounting.

c) Revenue recognition

Rental income is recorded at the beginning of each month.

d) Replacement reserve fund

The replacement reserve fund include a cash balance as well as investment in marketable securities. The City of Toronto - Social Housing Unit requires a set amount to be paid out of the operating fund annually to cover replacement or repairs to property, plant and equipment. The amount will be charged to the Statement of Operations each year. Property, plant and equipment purchased from the replacement reserve are charged against this account rather than being capitalized on the balance sheet and amortized over their estimated useful lives.

SWANSEA TOWN HALL RESIDENCES

(An Ontario Corporation Without Share Capital)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at that date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f) Income taxes

The corporation is exempt from filing income tax returns under the Income Tax Act.

3. REPLACEMENT RESERVE FUND

The replacement reserve fund is fully invested with Philips Hager & North as required by the Social Housing Reform Act.

4. MORTGAGE PAYABLE

The mortgage on land and buildings bears interest at 6.122%, is being amortized over 30 years and is payable in blended monthly instalments of \$43,963 and is due June 1, 2028.

5. UNAUDITED BUDGETED FIGURES

The budgeted figures for the year ending September 30, 2008 have been prepared by management. We have not audited or reviewed these figures and accordingly they are excluded from the opinion expressed in our Auditors' Report dated December 18, 2008.

6. FINANCIAL INSTRUMENTS

Fair value

The company's carrying value of cash and cash equivalents and accounts payable approximates its fair value due to the immediate or short-term maturity of these instruments.

The carrying value of the long-term debt approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

7. COMPARATIVE FIGURES

Certain figures in the 2007 financial statements have been restated to conform with the basis of presentation used in 2008.

SWANSEA TOWN HALL RESIDENCES
 (An Ontario Corporation Without Share Capital)
SCHEDULE OF MAINTENANCE, MATERIAL AND SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008 Actual	2008 Budget (Note 5) (Unaudited)	2007 Actual
Building general	\$ 16,678	\$ 20,500	\$ 19,881
Elevators	16,176	14,000	14,593
Electrical	1,297	1,000	885
Grounds	15,659	10,000	15,522
Heating and plumbing	12,626	15,500	13,376
Painting	789	3,500	2,869
Security	5,793	6,000	6,020
	\$ 69,018	\$ 70,500	\$ 73,146

See accompanying notes to the financial statements