Stratford Community Seniors' Complex Ltd.
Financial Statements

December 31, 2006

Grant Thornton

Contents

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

His Worship the Mayor and
Members of Town Council

We have audited the statement of financial position of Stratford Community Seniors' Complex Ltd. as at December 31, 2006 and the statements of operations and cash flows for the year then ended. These financial statements have been prepared to comply with Section 10 of the Non-Profit Housing Program Agreement dated November 21, 1989 with Canada Mortgage and Housing Corporation (CMHC). These financial statements are the responsibility of the company'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 company as at December 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 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 Town Council and CMHC to comply with Section 10 of the Non-Profit Housing Program Agreement dated November 21, 1989 with CMHC. 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.

Grant Thornton LLP

Charlottetown, Prince Edward Island
February 27, 2007

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Stratford Community Seniors' Complex Ltd.
Statement of Operations

Year Ended December 31	Seniors Complex	Rent Supplement	**2006 Total**	2005 Total
Revenue				
Rent supplement subsidy	$ -	$ 1,500	**$ 1,500**	$ 823
Rent subsidy	71,183	-	**71,183**	74,746
Rental revenue	61,388	5,928	**67,316**	65,111
Laundry revenue	2,049	-	**2,049**	1,465
Sales tax rebates	2,401	-	**2,401**	-
Reserve funds used to offset expenses of prior year	-	-	**-**	7,622
	137,021	7,428	**144,449**	149,767
Expenditures				
Amortization	28,813	-	**28,813**	20,278
Cleaning	3,126	-	**3,126**	4,041
Electricity	2,438	-	**2,438**	2,965
Heat	11,883	-	**11,883**	8,403
Insurance	5,108	-	**5,108**	4,607
Interest and bank charges	50	-	**50**	5
Interest on long term debt	29,168	-	**29,168**	45,933
Janitorial supplies	68	-	**68**	33
Professional fees	1,827	-	**1,827**	3,483
Property management	7,500	-	**7,500**	10,625
Property tax	15,281	-	**15,281**	7,332
Rent	-	7,740	**7,740**	7,236
Repairs and maintenance	11,846	-	**11,846**	14,835
Sewer tax	5,025	-	**5,025**	4,987
Stationary and office supplies	400	-	**400**	51
Transfer to replacement reserve	6,000	-	**6,000**	6,000
	128,533	7,740	**136,273**	140,814
Excess of revenue before subsidy adjustments	8,488	(312)	**8,176**	8,953
Subsidy due to CMHC	$ 8,488	$ (312)	**$ 8,176**	$ 8,953

See accompanying notes to the financial statements.

Stratford Community Seniors' Complex Ltd.
Statement of Financial Position

December 31		2006		2005
Assets				
Current				
Cash	$	**30,594**	$	23,337
Receivables		**1,200**		2,655
Prepaids		**3,154**		2,855
		34,948		28,847
Restricted cash and deposits				
Replacement reserve fund		**54,852**		83,344
Damage reserve fund		**1,391**		1,340
		91,191		113,531
Property and equipment (Note 4)		**781,154**		809,966
	$	**872,345**	$	923,497

Liabilities				
Current				
Payables and accruals				
Trade and interest	$	**8,853**	$	7,924
Security deposits		**2,491**		2,273
Town of Stratford		**9,263**		12,359
Excess subsidy due to CMHC		**8,771**		721
Current portion of long term debt		**31,231**		29,863
		60,609		53,140
Long term debt (Note 5)		**751,135**		781,315
		811,744		834,455
Reserves				
Replacement reserve (Note 7)		**54,852**		83,344
Damage reserve (Note 7)		**1,391**		1,340
		56,243		84,684
Contributed Surplus		**4,358**		4,358
	$	**872,345**	$	923,497

On behalf of the Council

President

Secretary-Treasurer

See accompanying notes to the financial statements.

Stratford Community Seniors' Complex Ltd.
Statement of Cash Flows

Year Ended December 31	**2006**	2005
Increase (decrease) in cash and cash equivalents		
Operating		
Received from rents	**$ 73,221**	$ 72,118
Payments to suppliers	**(71,521)**	(63,454)
Received from CMHC	**72,683**	75,569
Interest paid	**(29,218)**	(45,938)
	45,165	38,295
Financing		
Advances (to) from related entities	**(3,096)**	11,109
Principal payments on long term debt	**(28,812)**	(20,278)
Allocation to replacement reserve	**(6,000)**	(6,000)
	(37,908)	(15,169)
Net increase in cash and cash equivalents	**7,257**	23,126
Unrestricted cash		
Beginning of year	**23,337**	211
End of year	**$ 30,594**	$ 23,337

See accompanying notes to the financial statements.

1. Nature of operations

The Stratford Community Seniors' Complex Ltd. was formed to provide affordable housing facilities to seniors in the Town of Stratford. The organization has an agreement with Canada Mortgage and Housing Corporation which provides funding to assist with the operation and administration of the seniors' housing facility. The remaining funds required to operate the facility are collected from the tenants.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with Section 10 of the Non-Profit Housing Program Agreement dated November 21, 1989 with Canada Mortgage and Housing Corporation (CMHC). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because:

(a) amortization is not provided on building and furniture and appliances purchased from loans recognized by CMHC over the estimated useful lives of these assets but rather at a rate equal to the annual principal reduction of the mortgage;

(b) capital assets:

1) purchased from accumulated surplus are charged to operations in the year the expenditure is incurred, and

2) purchased from the replacement reserve are charged against the replacement reserve account,

rather than being capitalized on the balance sheet and amortized over their useful lives; and

(c) a reserve for future capital replacement is appropriated annually from operations.

3. Reserves

Replacement
Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of $6,000 annually plus interest. These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

Damage
Under the terms of the agreement with CMHC, the Damage Reserve funds, along with accumulated interest, must be held in a separate bank account. These funds are to be used to reimburse private landlords contracted with the rent supplement program in the event that a tenant causes damage to the landlord's unit beyond normal wear and tear.

4. Property and equipment

			2006	2005
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land	$ 72,500		**$ 72,500**	$ 72,500
Building	867,165	$ 181,311	**685,854**	713,802
Furniture and appliances	28,407	5,607	**22,800**	23,664
	$ 968,072	$ 186,918	**$ 781,154**	$ 809,966

5. Long term debt

	2006	2005
3.71% CMHC mortgage payable in equal monthly instalments of $4,849 including interest, maturing in October 2010 and amortized to 2021. As security, the company has pledged a first charge on land and building.	**$ 782,366**	$ 811,178
Less: current portion	**31,231**	29,863
	$ 751,135	$ 781,315

Principal repayments in each of the next five years are due as follows: 2007 - $31,231; 2008 - $32,798; 2009 - $34,423; 2010 - $36,108; 2011 - $37,855.

6. CMHC contribution

The Complex has received Federal Government assistance through CMHC pursuant to Section 95 of the National Housing Act. This assistance is available to bridge the gap between total eligible operating costs and project revenues.

7. Replacement and damage reserves

Under the terms of an agreement with CMHC, the replacement reserve is to be increased annually by $6,000 with funds transferred from current operations. These funds, along with accumulated interest earned on these funds, are to be held in a separate bank account or invested in marketable securities insured by the Canada Deposit Insurance Corporation. These funds are to be used only as approved by CMHC.

Transactions relating to the replacement and damage reserves for the year ended December 31, 2006 are as follows:

	Balance Beginning of Year	Funds Utilized	Transfer from Income	Interest Earned	Balance End of Year
Replacement reserve	$ 83,344	$ (37,572)	$ 6,000	$ 3,080	$ 54,852
Balance consists of:					
Principal					$ 54,852
Interest					-
					$ 54,852
Damage reserve	$ 1,340	$ -	$ -	$ 51	$ 1,391
Balance consists of:					
Principal					$ 1,306
Interest					85
					$ 1,391