Financial Statements of

THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

And Independent Auditor's Report thereon

For the year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Prince Edward County Affordable Housing Corporation

Opinion

We have audited the financial statements of the Prince Edward County Affordable Housing Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- that statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its results of operations and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

August 26, 2026

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Prince Edward County Affordable Housing Corporation (the "Entity") are the responsibility of the Entity's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Entity's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Entity. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Entity's financial statements.

Arryn McNichol
Director of Finance

Adam Goheen
Chief Administrative Officer

THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

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THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash	$ 549,075	$ 537,598
Accounts receivable	65,836	61,167
	614,911	598,765
Financial liabilities:		
Accounts payable and accrued liabilities	16,480	17,285
Due to the Corporation of the County of Prince Edward (note 2)	687,437	632,009
Loan payable (note 3)	36,000	36,000
	739,917	685,294
Net debt	(125,006)	(86,529)
Non-financial assets:		
Prepaid expenses	4,657	3,026
Tangible capital assets (note 4)	854,811	822,542
	859,468	825,568
Contingent liabilities (note 7)		
Accumulated surplus (note 5)	$ 734,462	$ 739,039

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Statement of Operations and Accumulated Surplus

For the year ended December 31, 2025, with comparative information for 2024

	Budget 2025 (note 6)	Actual 2025	Actual 2024
Revenue:			
Interest income	$ –	$ 11,478	$ 19,366
Other income	–	–	150
	–	11,478	19,516
Expenses:			
Bank charges and interest	–	3,195	3,285
Insurance	–	4,271	7,469
Membership fees	–	1,236	224
Office expenses	–	1,177	211
Professional fees	–	6,176	11,046
Property taxes	–	–	1,041
Repairs and maintenance	–	–	2,054
	–	16,055	25,330
Annual deficit	–	(4,577)	(5,814)
Accumulated surplus, beginning of year	739,039	739,039	744,853
Accumulated surplus, end of year	$ 739,039	$ 734,462	$ 739,039

See accompanying notes to financial statements.

THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Statement of Changes in Net Debt

For the year ended December 31, 2025, with comparative information for 2024

	Budget 2025 (note 6)	Actual 2025	Actual 2024
Annual deficit	$ –	$ (4,577)	$ (5,814)
Acquisition of tangible capital assets	–	(32,269)	(63,101)
Acquisition of prepaid expenses	–	(1,631)	(278)
Change in net debt	–	(38,477)	(69,193)
Net debt, beginning of year	(86,529)	(86,529)	(17,336)
Net debt, end of year	$ (86,529)	$ (125,006)	$ (86,529)

See accompanying notes to financial statements.

THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Statement of Cash Flows

For the year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual deficit	$ (4,577)	$ (5,814)
Change in non-cash operating working capital:		
Accounts receivable	(4,669)	(8,690)
Prepaid expenses	(1,631)	(278)
Accounts payable and accrued liabilities	(805)	335
Due to the Corporation of the County of Prince Edward	55,428	96,914
	43,746	82,467
Capital activities:		
Acquisition of tangible capital assets	(32,269)	(63,101)
Increase in cash	11,477	19,366
Cash, beginning of year	537,598	518,232
Cash, end of year	$ 549,075	$ 537,598

See accompanying notes to financial statements.

THE PRINCE EDWARD COUNTY AFFORDABLE HOUSING CORPORATION

Notes to Financial Statements

For the year ended December 31, 2025

The Prince Edward County Affordable Housing Corporation (the "Corporation") is a corporation incorporated without share capital under the laws of Ontario.

The mandate of the Corporation is to increase the supply of affordable housing in Prince Edward County.

1. Significant accounting policies:

The financial statements of the Corporation are the representation of management prepared in accordance with Canadian public sector accounting standards ("PSAS").

(a) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made.

(c) Revenue recognition:

Government transfers are recognized as revenue when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated. Donations, fundraising, service charges and other revenue are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred. These amounts will be recognized as revenue in the fiscal period in which the services are performed or the related expenses incurred.

(d) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life - years
Buildings	40

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations and Accumulated Surplus.

(f) Financial instruments:

Financial instruments are recoded at fair value on initial recognition, and reported on the Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

(g) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at December 31, 2025 or 2024.

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

2. Related party transactions:

The Corporation and the Corporation of the County of Prince Edward are related by virtue of significant influence.

The Corporation of the County of Prince Edward provides certain services and pays for certain expenses on behalf of the Corporation, for which is it then reimbursed. At December 31, 2025, there is a payable to the Corporation of Prince Edward in the amount of $687,437 (2024 - $632,009) related to these reimbursements.

All transactions with Corporation of the County of Prince Edward occur in the normal course of business and are recorded at their exchange amount which is the amount agreed upon by the related parties.

3. Loan payable:

In 2021, the Corporation entered into a seed funding loan agreement with the Canada Mortgage and Housing Corporation (“CMHC”) under the Seed Funding Program established pursuant to Section 76 of the National Housing Act which provides funding for the development or implementation of proposals to help increase the supply of affordable housing and assist existing projects to remain viable and affordable.

This agreement states the maximum loan amount is $36,000 and is related to the construction of 36 affordable units at Wellington Street, Prince Edward County. The agreement became effective January 4, 2021, with a 36 month term to incur eligible expenses. The maximum loan of $36,000 was drawn during the eligible term.

Repayment of this loan is due at the earlier of: i) project financing, ii) January 4, 2024, or iii) discontinuance or termination of the project by either the Corporation or CMHC. The loan is interest free until the repayment date, at which time the loan will bear interest at Canada’s prime rate plus 2%. Interest accrued on this loan in fiscal 2025 amounted to $3,195 (2024 - $3,285) and is included in bank charges and interest on the Statement of Operations and Accumulated Surplus.

4. Tangible capital assets:

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Building - Wellington Street	$ 784,093	$ –	$ 784,093	$ 761,790
Building - Disraeli Street	70,718	–	70,718	60,752
	$ 854,811	$ –	$ 854,811	$ 822,542

Cost and accumulated amortization at December 31, 2024 was $822,542 and $Nil, respectively.

Both buildings are classified as work-in-progress and will be amortized once construction is complete and the buildings are in productive use.

The Wellington Street project is in the environmental assessment and feasibility stage of construction. As of the audit report date, no contractual commitments have been entered into, and the estimated date of commencement, costs to complete and project financing are undetermined.

The Disraeli Street project is in the feasibility stage of construction. As of the audit report date, no contractual commitments have been entered into, and the estimated date of commencement, costs to complete and project financing are undetermined.

5. Accumulated surplus:

Accumulated surplus consists of the following:

	2025	2024
Equity in tangible capital assets	$ 854,811	$ 822,542
Less: loan payable	(36,000)	(36,000)
	818,811	786,542
Reserves:		
Unrestricted	(84,349)	(47,503)
Accumulated surplus	$ 734,462	$ 739,039

6. Budget figures:

Budget figures reflected on the Statement of Operations and Accumulated Surplus are based on the 2025 operating budget as approved by the Board of Directors.

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

7. Contingent liabilities:

(a) In 2021, the Corporation entered into a seed funding contribution agreement with the Canada Mortgage and Housing Corporation ("CMHC") under the Seed Funding Program established pursuant to Section 76 of the National Housing Act which provides funding for the development or implementation of proposals to help increase the supply of affordable housing and assist existing projects to remain viable and affordable.

This agreement states the maximum contribution amount is $144,000 and is related to the construction of 36 affordable units at Wellington Street, Prince Edward County. This funding was recorded as revenue in the year received. The agreement became effective January 1, 2021 and expired on January 4, 2023. The maximum contribution amount of $144,000 was incurred during the eligible period.

The agreement outlines eligible activities and other terms required to maintain this funding. If any of the stated terms are deemed unsatisfactory by CMHC, funding may be subject to recovery.

7. Contingent liabilities (continued):

(b) In 2021, the Corporation entered into a seed funding contribution agreement with the Canada Mortgage and Housing Corporation ("CMHC") under the Seed Funding Program established pursuant to Section 76 of the National Housing Act which provides funding for the development or implementation of proposals to help increase the supply of affordable housing and assist existing projects to remain viable and affordable.

This agreement states the maximum contribution amount is $80,000 and is related to the construction of 20 affordable units at Disraeli Street, Prince Edward County. This funding was recorded as revenue in the year received. The agreement became effective December 16, 2021 and expired on December 16, 2023. Approximately $60,000 of the contribution amount was incurred during the eligible period.

The agreement outlines eligible activities and other terms required to maintain this funding. If any of the stated terms are deemed unsatisfactory by CMHC, funding may be subject to recovery.

8. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss.

The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation as at December 31, 2025 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts is $Nil (2024 - $Nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice. The Corporation is dependent on the continued financial support from government sources and the Corporation of the County of Price Edward.

There have been no significant changes to the risk exposures from 2024.