

**Fort Frances Municipal
Non-Profit Housing Corporation**
Financial Statements
For the year ended December 31, 2015

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Independent Auditor's Report

To the Board of Directors of Fort Frances Municipal Non-Profit Housing Corporation

We have audited the accompanying financial statements of Fort Frances Municipal Non-Profit Housing Corporation, which comprise the statement of financial position as at December 31, 2015, and the statement of operations and net assets, the statement of cash flows and the statement of replacement reserve fund for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting requirements of the Rainy River District Social Services Administration Board.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting requirements of the Rainy River District Social Services Administration Board, 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 auditor's 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 auditor considers 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 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 Fort Frances Municipal Non-Profit Housing Corporation as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting requirements of the Rainy River District Social Services Administration Board.

Basis of Accounting and Restrictions on Use

Without modifying our opinion, we draw attention to the summary of significant accounting policies which describes the basis of accounting. The financial statements are prepared to assist Fort Frances Municipal Non-Profit Housing Corporation to comply with the financial reporting requirements of the Rainy River District Social Services Administration Board. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Fort Frances Municipal Non-Profit Housing Corporation and the Rainy River District Social Services Administration Board and should not be used by parties other than the Directors of Fort Frances Municipal Non-Profit Housing Corporation or the Rainy River District Social Services Administration Board.

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
TBD

Fort Frances Municipal Non-Profit Housing Corporation

Statement of Financial Position

December 31	2015	2014
Assets		
Current		
Cash (Note 2)	\$ 29,545	\$ 51,969
Accounts receivable (Note 3)	50,181	18,210
Prepaid insurance	3,647	3,406
	<u>83,373</u>	<u>73,585</u>
Restricted cash and deposits		
Replacement reserve fund (Note 4)	192,974	211,526
	<u>692,340</u>	<u>738,179</u>
Property, plant and equipment (Note 5)		
	<u>\$ 968,687</u>	<u>\$ 1,023,290</u>
Liabilities and Net Assets		
Current		
Accounts payable and accruals (Note 6)	\$ 69,011	\$ 53,241
Deferred revenue (Note 7)	1,584	-
Current portion of long-term debt (Note 8)	46,745	45,770
	<u>117,340</u>	<u>99,011</u>
Long-term debt (Note 8)	645,595	692,409
	<u>762,935</u>	<u>791,420</u>
Replacement reserve fund (Note 4)	192,974	211,526
Net assets		
Unrestricted	12,778	20,344
	<u>\$ 968,687</u>	<u>\$ 1,023,290</u>

On behalf of the Board:

_____ Director

_____ Director

Fort Frances Municipal Non-Profit Housing Corporation Statement of Operations and Net Assets

For the year ended December 31	Budget	2015	2014
Revenue			
Rental	\$ 32,760	\$ 36,003	\$ 38,055
Government subsidies	96,687	81,253	72,317
Other	7,250	11,183	15,267
	<u>136,697</u>	<u>128,439</u>	<u>125,639</u>
Expenditure			
Administrative overhead (Schedule 1)	24,984	25,518	24,382
Allocation to restricted fund	7,975	7,975	7,754
Amortization of capital costs	45,839	45,839	44,887
Bad debts	-	7,761	426
Insurance	3,966	4,175	3,851
Interest and bank charges	170	446	169
Interest on long-term debt	15,067	14,987	15,939
Materials and services (Schedule 2)	15,854	6,170	12,109
Municipal taxes	13,275	13,195	12,887
Travel	-	-	100
Utilities (Schedule 3)	9,567	9,939	9,250
	<u>136,697</u>	<u>136,005</u>	<u>131,754</u>
Loss for the year	-	(7,566)	(6,115)
Unrestricted net assets, beginning of year	-	20,344	26,459
Net assets, end of year	\$ -	\$ 12,778	\$ 20,344

Fort Frances Municipal Non-Profit Housing Corporation Statement of Cash Flows

For the year ended December 31	2015	2014
Cash provided by (used in)		
Operating activities		
Rainy River District Social Services		
Administration Board, assistance received	\$ 96,687	\$ 95,902
Rental revenue received	36,003	38,055
Other receipts	11,371	15,267
Payments for operating expenses	(68,435)	(72,005)
Payments for mortgage interest	(14,985)	(15,939)
Allocation to restricted fund	(7,975)	(7,754)
	52,666	53,526
Purchase of capital assets	(29,251)	-
Financing activities		
Repayment of mortgage principal	(45,839)	(44,887)
Increase (decrease) in unrestricted cash during the year	(22,424)	8,639
Unrestricted cash, beginning of year	51,969	43,330
Unrestricted cash, end of year	\$ 29,545	\$ 51,969

Fort Frances Municipal Non-Profit Housing Corporation Statement of Replacement Reserve Fund

For the year ended December 31	2015	2014
Replacement reserve fund (Note 4)		
Balance, beginning of year	\$ 211,526	\$ 195,274
Investment income for the year	7,612	9,368
Unrealized gains in the year	(4,888)	7,983
Allocation for the year	7,975	7,754
Expenditures for the year	(29,251)	(8,853)
Balance, end of year at fair market value	\$ 192,974	\$ 211,526
Balance, end of year at cost	\$ 207,746	\$ 190,610

Fort Frances Municipal Non-Profit Housing Corporation

Notes to Financial Statements

December 31, 2015

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Business

The Corporation is a non-profit Organization incorporated without share capital under the laws of Ontario. The Corporation is engaged in providing low-cost housing in the Municipality of Fort Frances. The Corporation is exempt from paying income taxes under the Canadian Income Tax Act.

Basis of Accounting

These financial statements were prepared in accordance with the significant accounting policies set out below to comply with the financial reporting requirements of the Rainy River District Social Services Administration Board. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit Organizations in the following areas:

- a) The accounting treatment of property, plant and equipment.
- b) The accounting treatment of appropriations for the replacement reserve fund.
- c) The accounting treatment of certain financial instruments.
- d) The accounting treatment of adjustments to prior period funding.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost less capital grants. Property, plant and equipment purchased is expensed in the year purchased other than amounts financed by loans issued by Canada Mortgage and Housing Corporation.

Amortization

Amortization is provided on land, building, furniture, equipment and organizational costs financed by loans issued by Canada Mortgage and Housing Corporation. Amortization is equal to the annual principal reduction of the mortgage.

No amortization is charged on other property, plant and equipment; however, a replacement reserve is maintained to provide for future asset replacement.

Replacement Reserve Fund

The Replacement Reserve Fund account is funded by charges against current earnings as opposed to appropriations of net assets.

The fund is to be used to pay for repairs, renovations or replacements of property, plant and equipment that have aged or become unserviceable.

Fort Frances Municipal Non-Profit Housing Corporation Notes to Financial Statements

December 31, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Financial Instruments

The Corporation's financial instruments consist of cash, investments, accounts receivable, restricted cash and deposits, accounts payable and accrued liabilities and long-term debt.

In accordance with Canadian accounting standards for not-for-profit Organizations, financial instruments would be recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives would be reported at fair value, with any unrealized gains or losses reported in income. All other financial instruments would be reported at cost or amortized cost less impairment, if applicable. Financial assets would be tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments would be expensed for those items remeasured at fair value and charged to the financial instrument for those measured at amortized cost.

In accordance with the accounting requirements of the Rainy River District Social Services Administration Board, investments forming part of restricted cash and deposits in the replacement reserve fund are adjusted to fair value, as determined by reference to public price quotations in an active market, with the gain or loss being shown as an income or expense of the replacement reserve fund.

Also in accordance with the accounting requirements of the Rainy River District Social Services Administration Board, long-term debt is not revalued to fair market value. If the debt had been revalued as specified under Canadian accounting standards for not-for-profit Organizations, this liability would have been disclosed at a lower amount because the debt bears interest at a rate below the prevailing market rate. The difference between fair value of the loan and its cash value would have been accounted for in income as government assistance.

Adjustments to Prior Period Funding

In accordance with the accounting requirements of the Rainy River District Social Services Administration Board, any adjustments to prior period funding which are in excess of the amounts previously set up as payable or receivable are treated as adjustments to unrestricted net assets rather than as adjustments to government subsidies of the current period.

Fort Frances Municipal Non-Profit Housing Corporation

Notes to Financial Statements

December 31, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Corporation follows the deferral method of accounting for government subsidies and grant contributions. Restricted subsidies and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted subsidies and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Tenant rent revenue is recognized as revenue at the beginning of each month as cash is received.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less from their date of purchase.

Use of Estimates

The preparation of financial statements in accordance with the requirements of the Rainy River District Social Services Administration Board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

Estimates used in preparing these financial statements include accrued liabilities and the useful lives of property, plant and equipment.

Impairment of Long-lived Assets

Long-lived assets held and used by the Corporation are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes that there has been no impairment of any of the Corporation's long-lived assets as at year end.

Fort Frances Municipal Non-Profit Housing Corporation Notes to Financial Statements

December 31, 2015

2. Cash

The Corporation's bank accounts are held at one chartered bank. The bank account does not earn interest.

3. Accounts Receivable

	2015	2014
Tenants miscellaneous receivable	\$ 1,904	\$ 773
Tenants accounts receivable	4,906	7,371
HST/GST receivable	6,249	2,257
RRDSSAB subsidy receivable	7,871	7,809
Due from capital reserve fund	29,251	-
	<u>\$ 50,181</u>	<u>\$ 18,210</u>

4. Replacement Reserve Fund

Under the terms of the agreement with Rainy River District Social Services Administration Board, the Replacement Reserve Fund is to be credited annually. In the 2014 budget, approved by Rainy River District Social Services Administration Board, the allocation to the Replacement Reserve Fund was \$7,975. These funds along with 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 the Rainy River District Social Services Administration Board from time to time. Withdrawals are credited to interest first and then principal.

As at December 31st, the funds in the account consisted of the following:

	2015	2014
Canadian money market fund	\$ 42,326	\$ 39,756
Canadian bond fund	60,695	56,529
Canadian equity	119,204	115,241
Due from general fund	(29,251)	-
	<u>\$ 192,974</u>	<u>\$ 211,526</u>

The investments in the capital reserve fund are financial instruments and have been classified as held-for-trading. The investments are stated at fair market value. Any change in market value is adjusted in the year it occurred.

Fort Frances Municipal Non-Profit Housing Corporation

Notes to Financial Statements

December 31, 2015

5. Property, Plant and Equipment

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and building	\$ 1,194,000	\$ 501,660	\$ 1,194,000	\$ 455,821
Net book value		\$ 692,340		\$ 738,179

6. Accounts Payable and Accruals

	2015		2014	
Accrued mortgage interest payable	\$ 1,235	\$ 1,305		
Trade payables	9,103	8,697		
Due to RRDSSAB	58,673	43,239		
	\$ 69,011	\$ 53,241		

7. Deferred Revenue

	2015		2014	
Deferred revenue represents rental prepayments	\$ 1,584	\$ -		

8. Long-term Debt

	2015		2014	
First mortgage, 2.11% interest, payable \$5,076 monthly including interest, secured by real estate, maturing December 1, 2028, renewable January 1, 2019.	\$ 692,340	\$ 738,179		
Current portion	46,745	45,770		
	\$ 645,595	\$ 692,409		

Fort Frances Municipal Non-Profit Housing Corporation Notes to Financial Statements

December 31, 2015

8. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

Year	Amount
2016	\$ 46,745
2017	47,741
2018	48,758
2019	49,797
2020	50,858
Thereafter	448,441
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	\$ 692,340

9. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments and the value of its mortgage payable.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is also exposed to credit risk arising from its accounts and contributions receivable. Credit risk is the risk that the counterparty to the transaction will not pay. The majority of the Corporation's receivables are from government sources and the Corporation works to ensure they meet all eligibility criteria in order to qualify to receive the funding.

Liquidity Risk

Liquidity risk is the risk that the Corporation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable, mortgage payable and employee future benefits.

Market Risk

The Corporation is exposed to fluctuations in equity markets on its short-term investments.

Fort Frances Municipal Non-Profit Housing Corporation
Schedule 1 - Administrative Overhead

For the year ended December 31	Budget	2015	2014
Audit and legal fees	\$ 6,338	\$ 6,705	\$ 6,375
Management administration	4,751	4,799	4,516
Property management fees	11,657	11,775	11,296
Application and RGI fee	2,238	2,239	2,195
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	\$ 24,984	\$ 25,518	\$ 24,382

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Fort Frances Municipal Non-Profit Housing Corporation
Schedule 2 - Materials and Services

For the year ended December 31	Budget	2015	2014
Building and equipment	\$ 8,474	\$ 1,555	\$ 997
Electrical systems	2,493	1,953	1,709
Grounds	1,000	-	-
Heating and plumbing	2,437	883	1,374
Painting	1,300	-	522
Other	150	1,090	1,239
Repairs and maintenance	-	689	6,268
	\$ 15,854	\$ 6,170	\$ 12,109

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Fort Frances Municipal Non-Profit Housing Corporation
Schedule 3 - Utilities

For the year ended December 31	Budget	2015	2014
Electricity	\$ 110	\$ 215	\$ 101
Fuel	100	365	66
Water	9,357	9,359	9,083
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	\$ 9,567	\$ 9,939	\$ 9,250

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