

**Fort Frances Municipal  
Non-Profit Housing Corporation**  
**Financial Statements**  
For the year ended December 31, 2016

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## Independent Auditor's Report

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### 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, 2016, 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, 2016, 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 2016 2015

### Assets

#### Current

Cash (Note 2)	\$	31,735	\$	29,545
Accounts receivable (Note 3)		14,374		50,181
Prepaid insurance		3,645		3,647

		49,754		83,373
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#### Restricted cash and deposits

Replacement reserve fund (Note 4)		195,763		192,974
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#### Property, plant and equipment (Note 5)

		645,533		692,340
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	\$	891,050	\$	968,687
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### Liabilities and Net Assets

#### Current

Accounts payable and accruals (Note 6)	\$	36,307	\$	69,011
Deferred revenue (Note 7)		596		1,584
Current portion of long-term debt (Note 8)		47,741		46,745

		84,644		117,340
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#### Long-term debt (Note 8)

		597,792		645,595
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		682,436		762,935
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#### Replacement reserve fund (Note 4)

		195,763		192,974
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#### Net assets

Unrestricted		12,851		12,778
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	\$	891,050	\$	968,687
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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	2016	2015
<b>Revenue</b>			
Rental	\$ 30,008	\$ 33,037	\$ 36,003
Government subsidies	95,510	86,025	81,253
Other	7,650	10,019	11,183
	<u>133,168</u>	<u>129,081</u>	<u>128,439</u>
<b>Expenditure</b>			
Administrative overhead (Schedule 1)	26,106	26,280	25,518
Allocation to restricted fund	8,051	8,051	7,975
Amortization of capital costs	46,807	46,807	45,839
Bad debts	-	-	7,761
Insurance	4,087	4,376	4,175
Interest and bank charges	495	490	446
Interest on long-term debt	14,100	14,013	14,987
Materials and services (Schedule 2)	9,825	5,605	6,170
Municipal taxes	13,591	13,407	13,195
Utilities (Schedule 3)	10,106	9,672	9,939
	<u>133,168</u>	<u>128,701</u>	<u>136,005</u>
Net income (loss) for the year	-	380	(7,566)
Unrestricted net assets, beginning of year	-	12,778	20,344
Net asset adjustment (Note 9)	-	(307)	-
Unrestricted net assets, end of year	\$ -	\$ 12,851	\$ 12,778

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

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Rainy River District Social Services		
Administration Board, assistance received	\$ 95,510	\$ 96,687
Rental revenue received	33,037	36,003
Other receipts	10,114	11,371
Payments for operating expenses	(45,775)	(68,435)
Payments for mortgage interest	(14,013)	(14,985)
Allocation to restricted fund	(8,051)	(7,975)
	<u>70,822</u>	<u>52,666</u>
Investing activities		
Purchase of property, plant and equipment	<u>(21,825)</u>	<u>(29,251)</u>
Financing activities		
Repayment of mortgage principal	<u>(46,807)</u>	<u>(45,839)</u>
Increase (decrease) in unrestricted cash during the year	2,190	(22,424)
Unrestricted cash, beginning of year	<u>29,545</u>	<u>51,969</u>
Unrestricted cash, end of year	<u>\$ 31,735</u>	<u>\$ 29,545</u>

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

For the year ended December 31	2016	2015
Replacement reserve fund (Note 4)		
Balance, beginning of year	\$ 192,974	\$ 211,526
Investment income for the year	3,305	7,612
Unrealized gains (losses) in the year	13,258	(4,888)
Allocation for the year	8,051	7,975
Expenditures for the year	(21,825)	(29,251)
Balance, end of year at fair market value	\$ 195,763	\$ 192,974
Balance, end of year at cost	\$ 173,020	\$ 207,746

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# Fort Frances Municipal Non-Profit Housing Corporation

## Notes to Financial Statements

December 31, 2016

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### 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.



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

December 31, 2016

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### 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.

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

December 31, 2016

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### 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, 2016

### 2. Cash

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

### 3. Accounts Receivable

	2016	2015
Tenants miscellaneous receivable	\$ 2,520	\$ 1,904
Tenants accounts receivable	8,397	4,906
HST/GST receivable	2,698	6,249
RRDSSAB subsidy receivable	759	7,871
Due from capital reserve fund	-	29,251
	<u>\$ 14,374</u>	<u>\$ 50,181</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 2016 budget, approved by Rainy River District Social Services Administration Board, the allocation to the Replacement Reserve Fund was \$8,051. 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:

	2016	2015
Canadian money market fund	\$ 32,644	\$ 42,326
Canadian bond fund	48,386	60,695
Canadian equity	114,241	119,204
Due to (from) general fund	492	(29,251)
	<u>\$ 195,763</u>	<u>\$ 192,974</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, 2016

### 5. Property, Plant and Equipment

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and building	\$ 1,194,000	\$ 548,467	\$ 1,194,000	\$ 501,660
Net book value		\$ 645,533		\$ 692,340

### 6. Accounts Payable and Accruals

	2016		2015	
Accrued mortgage interest payable	\$ 1,235	\$ 1,235		
Trade payables	9,661	9,103		
Due to capital reserve fund	492	-		
Due to RRDSSAB	24,919	58,673		
	\$ 36,307	\$ 69,011		

### 7. Deferred Revenue

	2016		2015	
Deferred revenue represents rental prepayments	\$ 596	\$ 1,584		

### 8. Long-term Debt

	2016		2015	
First mortgage, 2.11% interest, payable \$5,076 monthly including interest, secured by real estate, maturing December 1, 2028, renewable January 1, 2019.	\$ 645,533	\$ 692,340		
Current portion	47,741	46,745		
	\$ 597,792	\$ 645,595		

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

December 31, 2016

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### 8. Long-term Debt (continued)

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

Year	Amount
2017	\$ 47,741
2018	48,758
2019	49,797
2020	50,858
2021	51,942
Thereafter	396,437
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	\$ 645,533

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### 9. Net Asset Adjustment

During the 2016 year, repayments were made to the Rainy River District Social Services Administration Board for additional subsidies provided in the 2013 and 2014 fiscal years. These repayments exceeded what was recorded as payable in those years and, to the extent they were in excess of the amounts previously set up, they have been adjusted through unrestricted net assets. The details are as follows:

	2016	2015
Total net asset adjustment in the current year	<hr/> \$ (307)	<hr/> \$ -

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### 10. 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.

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

December 31, 2016

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### 10. Financial Instrument Risk (continued)

#### 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.

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

<b>For the year ended December 31</b>	<b>Budget</b>	<b>2016</b>	<b>2015</b>
Audit and legal fees	\$ 6,900	\$ 6,902	\$ 6,705
Management administration	4,894	4,959	4,799
Property management fees	12,007	12,114	11,775
Application and RGI fee	2,305	2,305	2,239
	<hr/>	<hr/>	<hr/>
	\$ 26,106	\$ 26,280	\$ 25,518

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

<b>For the year ended December 31</b>	<b>Budget</b>	<b>2016</b>	<b>2015</b>
Building and equipment	\$ 4,300	\$ 701	\$ 1,555
Electrical systems	2,044	1,743	1,953
Grounds	200	-	-
Heating and plumbing	1,975	1,335	883
Painting	1,131	-	-
Other	175	649	1,090
Repairs and maintenance	-	1,177	689
	<b>\$ 9,825</b>	<b>\$ 5,605</b>	<b>\$ 6,170</b>

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

<u>For the year ended December 31</u>	<u>Budget</u>	<u>2016</u>	<u>2015</u>
Electricity	\$ 100	\$ 140	\$ 215
Fuel	150	71	365
Water	9,856	9,461	9,359
	<u>\$ 10,106</u>	<u>\$ 9,672</u>	<u>\$ 9,939</u>

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