

Deferral with Fund Accounting

Sample Financial Statements



BC Housing

AUDITORS' REPORT

To the Members of ABC Society:

Auditors should prepare an appropriate Auditors' Report as per the recommendations in section 5400-CICA Handbook.

City, Province
Date

(signed) AUDITOR

The accompanying notes are an integral part of these financial statements.

**ABC SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DATE**

	19x8				19x7	
	Society Fund	Housing Fund	Capital Asset Fund	Replacement Reserve Fund	Total	Total
Current assets						
Cash and term deposits	23,500	68,500			92,000	\$ 81,700
	\$	\$	\$	\$	\$	
Accounts receivable	500	7,200			7,700	6,700
Other receivable (specify where material)						
Prepays	200	2,800			3,000	3,500
	<u>24,200</u>	<u>78,500</u>			<u>102,700</u>	<u>91,900</u>
Restricted cash and term deposits (Note 3)		6,500	68,000	214,100	288,600	232,400
Capital assets, net (Note 4)			2,721,500		2,721,500	2,771,900
	<u>24,200</u>	<u>85,000</u>	<u>2,789,500</u>	<u>214,100</u>	<u>3,112,800</u>	<u>\$ 3,096,200</u>
	\$	\$	\$	\$	\$	
Current liabilities						
Accounts payable and accrued liabilities	200	24,000			24,200	\$ 23,600
	\$	\$	\$	\$	\$	
Security deposits		6,500			6,500	5,900
Deferred revenue		16,500			16,500	19,800
Current portion of long term debt			26,400		26,400	25,300
Other (specify where material)						
	<u>200</u>	<u>47,000</u>	<u>26,400</u>		<u>73,600</u>	<u>74,600</u>
Mortgages payable - long-term (Note 4)			2,594,100		2,594,100	2,620,500
Fund balances						
Invested in capital assets			101,000		101,000	126,100
Externally restricted (Note 6)		38,000	68,000	214,100	320,100	254,500
Internally restricted						

The accompanying notes are an integral part of these financial statements.

ABC HOUSING SOCIETY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED _____, _____

	Society Fund	Operating Fund	Capital Asset Fund	Replacement Reserve Fund	Total 19x8	Total 19x7
Revenues						
Donations	4,000				4,000	1,000
	\$	\$	\$	\$	\$	\$
Fundraising	2,000				2,000	1,000
Tenant rent contributions		142,000			142,000	134,900
Contributions:						
Ministry of Health		350,000			350,000	327,600
CMHC		60,000			60,000	63,000
BC Housing		304,000			304,000	298,000
BCH Special Payment (Note 10)		4,000			4,000	3,800
BCH - M & I Special Payment (Note 10)			10,000		10,000	
Interest	1,000	1,300	3,400	9,700	15,400	13,600
Amortization of deferred contributions						
Sundry		1,800			1,800	1,800
	<u>7,000</u>	<u>863,100</u>	<u>13,400</u>	<u>9,700</u>	<u>893,200</u>	<u>844,700</u>
Expenses						
Property taxes/licenses		20,000			20,000	19,000
Land lease (if applicable)						
Insurance		7,000			7,000	6,700
Utilities		41,500			41,500	40,000
Maintenance		29,200			29,200	46,900
Administration	1,500	22,000			23,500	22,300
Salaries, wages and benefits	1,000	335,800			336,800	319,300
Audit and legal fees	500	3,600			4,100	4,000
Mortgage interest		227,600			227,600	229,500
Amortization of capital assets			65,400		65,400	52,600
Automobile and transportation		6,000			6,000	5,200
Food		15,000			15,000	11,800
Fundraising	500				500	
Program supplies and materials		45,000			45,000	42,300
Education and staff development		10,000			10,000	9,500
Other - Security (Note 10)		4,000			4,000	
Miscellaneous		2,700			2,700	1,800
	<u>3,500</u>	<u>769,400</u>	<u>65,400</u>		<u>838,300</u>	<u>810,900</u>
Excess (deficiency) of revenue over expenses	3,500	93,700	(52,000)	9,700	54,900	33,800
Rent subsidy adjustments (Schedule A and B)		(10,900)			(10,900)	(4,600)
Excess (deficiency) of revenue over expenses from operations	3,500	82,800	(52,000)	9,700	44,000	29,200
Fund balances, beginning	20,500	28,000	190,700	161,900	401,100	371,900
Interfund transfers:						
Mortgage principal repayments		(25,300)	25,300			
Replacement reserve provision		(47,500)		47,500		
Capital assets acquired			5,000	(5,000)		
Fund balances, ending	24,000	38,000	169,000	214,100	445,100	401,100
	\$	\$	\$	\$	\$	\$

The accompanying notes are an integral part of these financial statements.

ABC SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED _____, _____

	Operating Activities				Financing and Investing Activities			
	Society Fund	Operating Fund	Total 19x8	Total 19x7	Capital Asset Fund	Replacement Reserve Fund	Total 19x8	Total 19x7
Sources of Cash								
CMHC contributions	\$	\$ 60,000	\$ 60,000	\$ 63,000	\$	\$	\$	\$
BC Housing contributions		304,700	304,700	303,300	10,000		10,000	
Ministry of Health		351,000	351,000	327,000				
Interest income	1,000	1,300	2,300	2,300	3,400	9,700	13,100	11,600
Rental revenue		140,100	140,100	133,700				
Security deposit interest		600	600	200				
Other receipts	5,900	800	6,700	2,700				
Uses of cash								
Payments for operating expenses								
Salaries and benefits	(1,000)	(335,800)	(336,800)	(318,300)				
Materials and services	(2,500)	(204,900)	(207,400)	(217,000)				
Subsidy repaid to BC Housing		(9,900)	(9,900)	(4,600)				
Mortgage interest		(227,600)	(227,600)	(229,500)				
Mortgage principal repayment					(25,300)		(25,300)	(23,400)
Capital assets acquired					(15,000)		(15,000)	(7,000)
Interfund Transfers:								
Mortgage principal repayment		(25,300)	(25,300)	(23,400)	25,300		25,300	23,400
Replacement reserve provision		(47,500)	(47,500)	(34,000)		47,500	47,500	34,000
Capital assets acquired					5,000	(5,000)		
Net increase(decrease) in cash and term deposits	3,400	7,500	10,900	5,400	3,400	52,200	55,600	38,600
Cash and term deposits, beginning	20,100	67,500	87,600	82,200	64,600	161,900	226,500	187,900
Cash and term deposits, ending	23,500	\$ 75,000	\$ 98,500	87,600	68,000	214,100	282,100	226,500

The accompanying notes are an integral part of these financial statements.

\$ _____

_____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____

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ABC SOCIETY

**STATEMENT OF CHANGES IN REPLACEMENT RESERVE FUND
FOR THE YEAR ENDED _____, _____**

	19X8				19X7
	Building 1	Building 2	Building 3	Total	Total
Balance, beginning of year	\$ 40,000	\$ 45,000	\$ 76,900	\$ 161,900	\$ 126,500
Add:					
Transfer from operating fund for the year (Note 11)	4,600	17,900	25,000	47,500	34,000
Interest income	2,400	2,700	4,600	9,700	8,400
Other (please specify)					
Less:					
Transfer to capital asset fund for asset replacement (Note 11) (details below)	(700)	(4,300)		(5,000)	(7,000)
Balance, end of year (Note 11)	<u>\$ 46,300</u>	<u>\$ 61,300</u>	<u>\$ 106,500</u>	<u>\$ 214,100</u>	<u>\$ 161,900</u>
Capital asset replacement for the year consisting of:					
Appliances	\$ 700	\$	\$	\$ 700	\$ 1,500
Flooring		4,300		4,300	5,500
	<u>\$ 700</u>	<u>\$ 4,300</u>	<u>\$</u>	<u>\$ 5,000</u>	<u>\$ 7,000</u>

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ABC SOCIETY
SCHEDULE OF OPERATIONS (Building 1)
FOR THE YEAR ENDED _____, _____

	<u>Building 1 Shelter</u>	<u>Building 1 Care</u>	<u>Total 19X8</u>	<u>Total 19X7</u>
Revenues				
Ministry of Health	\$	\$ 350,000	\$ 350,000	\$ 327,600
Tenant rent contributions	35,000		35,000	33,300
Rent Subsidies				
CMHC	60,000		60,000	63,000
BC Housing				
Interest	400		400	400
Sundry	500	1,000	1,500	1,500
	<u>95,900</u>	<u>351,000</u>	<u>446,900</u>	<u>425,800</u>
Expenses				
Property taxes/Licenses	4,000		4,000	4,100
Land lease (if applicable)				
Insurance	1,400		1,400	1,300
Utilities				
- heating and hot water	5,000		5,000	4,800
- electricity other than heat	1,000		1,000	1,000
- water and sewer	1,200		1,200	1,100
- garbage removal	1,100		1,100	1,000
Maintenance				
- salaries, wages and benefits	10,000		10,000	3,000
- building maintenance	2,400	2,400	4,800	16,600
- grounds	900		900	900
- service contracts	1,660		1,660	2,100
Administration				
- salaries, wages and benefits	7,000	250,800	257,800	247,000
- office overhead	700	18,500	19,200	18,300
- accounting fees				
Audit and legal fees	600	600	1,200	1,200
Mortgage interest	30,900		30,900	31,400
Miscellaneous	1,000	1,700	2,700	1,800
Automobile & transportation		6,000	6,000	5,200
Education and program development		10,000	10,000	9,500
Food		15,000	15,000	11,800
Program & supplies		45,000	45,000	42,300
	<u>68,860</u>	<u>350,000</u>	<u>418,860</u>	<u>404,400</u>
Excess of revenues over expenses	27,040	1,000	28,040	21,400
Interfund transfers				
Mortgage principal repayments	(6,100)		(6,100)	(5,700)
Replacement reserve provision	(4,600)		(4,600)	(4,500)
Rent subsidy surplus from operations	16,340	1,000	17,340	11,200
Rent subsidy adjustments (Note 8)				
Payment (to) from BC Housing	(8,500)		(8,500)	(3,400)
Rent subsidy adjustments	500		500	
Rent subsidy surplus for the year	\$ 8,340	\$ 1,000	\$ 9,340	\$ 7,800

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ABC SOCIETY
SCHEDULE OF OPERATIONS (Building 2 & 3)
FOR THE YEAR ENDED _____, _____

	<u>Building 2</u>	<u>Building 3</u>	<u>Total 19X8</u>	<u>Total 19X7</u>
Revenues				
Tenant rent contributions	22,000	85,000	107,000	101,600
	\$	\$	\$	\$
Contributions:				
BC Housing	110,000	194,000	304,000	298,000
BCH Special Payment (Note 10)	4,000		4,000	3,800
Interest	500	400	900	800
Sundry	100	200	300	300
	<u>136,600</u>	<u>279,600</u>	<u>416,200</u>	<u>404,500</u>
Expenses				
Property taxes/licenses	6,000	10,000	16,000	14,900
Land lease (if applicable)				
Insurance	2,100	3,500	5,600	5,400
Utilities				
- heating and hot water	7,500	12,500	20,000	19,000
- electricity other than heat	1,500	2,500	4,000	4,300
- water and sewer	1,800	3,000	4,800	4,600
- garbage removal	1,650	2,750	4,400	4,200
Maintenance				
- salaries, wages and benefits	15,000	25,000	40,000	44,500
- building maintenance	6,500	5,100	11,600	17,600
- grounds	1,350	2,250	3,600	3,400
- service contracts	2,490	4,150	6,640	6,300
Administration				
- salaries, wages and benefits	10,500	17,500	28,000	23,800
- office overhead	1,050	1,750	2,800	2,600
- accounting fees				
Mortgage interest	46,400	150,300	196,700	198,100
Audit and legal fees	900	1,500	2,400	2,300
Other - Security expense(Note 10)	4,000		4,000	
	<u>108,740</u>	<u>241,800</u>	<u>350,540</u>	<u>351,000</u>
Excess of revenues over expenses	<u>27,860</u>	<u>37,800</u>	<u>65,660</u>	<u>53,500</u>
Interfund transfers				
Mortgage principal repayments	(11,900)	(7,300)	(19,200)	(17,700)
Replacement reserve provision	(17,900)	(25,000)	(42,900)	(29,500)
Rent subsidy surplus (deficit) from operations	<u>(1,940)</u>	<u>5,500</u>	<u>3,560</u>	<u>6,300</u>
Rent subsidy adjustments (Note 8)				
Payment (to) from BC Housing	(1,400)		(1,400)	(1,200)
Rent subsidy adjustments		(1,500)	(1,500)	
Rent subsidy surplus (deficit) for the year	<u>(3,340)</u>	<u>4,000</u>	<u>660</u>	<u>5,100</u>
	\$	\$	\$	\$

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ABC SOCIETY
SCHEDULE OF OPERATING FUND SURPLUS ACCOUNTS
FOR THE YEAR ENDED _____, _____

	<u>Building 1 Shelter</u>	<u>Building 1 Care</u>	<u>Building 2</u>	<u>Building 3</u>	<u>Total 19X8</u>	<u>Total 19X7</u>
Surplus ,beginning	\$ 8,000	\$ 1,000	\$ 1,400	\$ 17,600	\$ 28,000	\$ 15,100
Excess of revenue over expenses	27,040	1,000	27,860	37,800	93,700	74,900
Interfund transfers						
Mortgage principal repayments	(6,100)		(11,900)	(7,300)	(25,300)	(23,400)
Replacement reserve provision	(4,600)		(17,900)	(25,000)	(47,500)	(34,000)
Rent subsidy adjustments (Note 8)						
Payment (to) from BC Housing	(8,500)		(1,400)		(9,900)	(4,600)
Rent subsidy adjustments	500			(1,500)	(1,000)	
Surplus (deficit), end of year	<u>\$ 16,340</u>	<u>\$ 2,000</u>	<u>\$ (1,940)</u>	<u>\$ 21,600</u>	<u>\$ 38,000</u>	<u>\$ 28,000</u>

The accompanying notes are an integral part of these financial statements.

ABC SOCIETY

NOTES TO FINANCIAL STATEMENTS

1. PURPOSE OF THE SOCIETY

ABC Society (the "Society") is incorporated under the laws of the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act. The Society provides low cost specialized housing to seniors and people with disabilities in British Columbia. It has three projects subsidized through BC Housing Management Commission ("BC Housing").

2. SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Society follows the restricted fund method of accounting for contributions.

The Society Fund accounts for the Society's fundraising and membership activities.

The Housing Fund reports restricted operating grants, revenue and expenses related to the society's housing activities.

The Capital Asset Fund reports the ownership and equity related to the Society's capital assets.

The Replacement Reserve Fund reports the assets, liabilities, revenues and expenses related to capital asset replacement activities.

Revenue Recognition

Contributions from BC Housing

Contributions received from BC Housing for the replacement reserve fund have been reported as interfund transfers from the Housing Fund to the Replacement Reserve Fund.

Contributions received from BC Housing for the acquisition of capital assets have been recognized as revenue in the Capital Fund.

Other Contributions

All other contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Investment Income

Interest Income earned on replacement reserve funds is recognized as revenue in the Replacement Reserve Fund in the period the investment income is earned.

Interest Income earned on funds held in trust for repayment of the mortgage principal is recognized as revenue in the Capital Fund in the period in which the income is earned.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for buildings is xx years and for furniture and equipment are xx years. Prepaid land lease is amortized on a straight-line basis over the remaining term of the lease. Amortization expense is reported in the Capital Asset Fund.

Deferred Revenue

The deferred revenue reported in the Housing Fund represents restricted operating funds received in the current year that is related to the subsequent period.

Administration Costs

Administration costs are allocated among shelter and non-shelter components based on the number of units, the actual time spent or a percentage of the total administration.

3. RESTRICTED CASH AND TERM DEPOSITS

Cash designated for specific purposes is segregated as follows:

	<u>19x8</u>	<u>19x7</u>
Cash held in trust by BC Housing relating to the construction of the housing project. Any cash funds not used for completion costs must be used to reduce the principal amount outstanding upon renewal of the Society's mortgage.	\$ 68,000	\$ 64,600
Security Deposits and accrued interest owing to tenants	6,500	5,900
Replacement Reserves	<u>214,100</u>	<u>161,900</u>
	<u>\$ 288,600</u>	<u>\$ 232,400</u>

4. CAPITAL ASSETS

	<u>19X8</u>		<u>19X7</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 100,000	\$	\$ 100,000	\$ 100,000
Land - Lease	720,000	(81,600)	638,400	650,400
Buildings	2,230,000	(291,000)	1,939,000	1,976,000
Furniture & fixtures	57,000	(21,200)	35,800	35,800
Equipment	<u>21,000</u>	<u>(12,700)</u>	<u>8,300</u>	<u>9,700</u>
	<u>\$ 3,128,000</u>	<u>\$ (406,500)</u>	<u>\$ 2,721,500</u>	<u>\$ 2,771,900</u>

5. MORTGAGES PAYABLE

	<u>19X8</u>	<u>19X7</u>
Mortgage - Canada Mortgage Housing Corporation This mortgage relates to Building 1 and is repayable in monthly installments of \$3,090, which include interest at 8%. The mortgage matures December 1, 2002.	\$ 383,200	\$ 389,400
Mortgage - Canada Mortgage Housing Corporation This mortgage relates to Building 2 and is repayable in monthly installments of \$4,860, which include interest at 7%. The mortgage matures February 1, 1999.	708,000	719,900
Mortgage - XYZ Bank This mortgage relates to Building 3 and is repayable in monthly installments of \$13,126, which include interest at 9.8% The mortgage matures April 1, 2000.	1,529,300	1,536,500
	<u>2,620,500</u>	<u>2,645,800</u>
Less: current portion	<u>26,400</u>	<u>25,300</u>
	<u>\$ 2,594,100</u>	<u>\$ 2,620,500</u>

All of the mortgages above are secured by a registered first charge and an assignment of rents and fire insurance proceeds on the respective property.

Principal payments due on the long-term debt in each of the next five years are as follows:

19x9	\$ 26,400
20x0	27,600
20x1	29,600
20x2	32,000
20x3	34,600
Subsequent to 20x3	<u>2,470,300</u>
	<u>\$ 2,620,500</u>

6. EXTERNALLY RESTRICTED NET ASSETS

Major categories of externally imposed restrictions on net assets are as follows:

	<u>19X8</u>	<u>19X7</u>
Restricted for replacing capital items	\$ 214,100	\$ 161,900
Restricted for payment of mortgage principal at maturity	68,000	64,600
Contributions, restricted for housing operations, as approved by BC Housing	<u>38,000</u>	<u>28,000</u>
	<u>\$ 320,100</u>	<u>\$ 254,500</u>

7. CONTINGENT LIABILITY

The cumulative non-Rent-Geared-to-Income (non-RGI) assistance of \$50,193 as at 19x8 is contingently repayable to BCHMC in the event that the total non-RGI tenant rent contribution in any year exceeds the economic rent of the suites occupied by non-RGI tenants. The society is required to commence repayment of the cumulative non-RGI assistance on the first day of the fiscal year following the fiscal year in which the preceding event occurs.

The balance then bears interest at bank prime and the required monthly payments are set annually, based upon the amount by which non-RGI tenant rent contribution exceeds economic rent for these suites in the prior year.

Repayable Assistance:

	<u>19X8</u>	<u>19X7</u>
Balance, beginning of year	\$ 25,630	\$ 0
Addition in current year	<u>24,563</u>	<u>25,630</u>
Balance, end of year	<u>\$ 50,193</u>	<u>\$ 25,630</u>

8. SUBSIDY ADJUSTMENTS

BC Housing conducts an annual review of the Financial Statements and may adjust for any operating surplus or deficit. Prior years funding adjustments are recognized in the fiscal year they are determined. In 19X8 subsidies of \$9,900 were repaid to BC Housing. (19X7 - \$4,600)

9. SUBSIDY ASSISTANCE PAYMENTS

The Society received subsidy assistance from Canada Mortgage and Housing Corporation on behalf of the Federal Government and the BC Housing on behalf of the Provincial Government to provide housing for families, seniors and people with disabilities. The amount of assistance recorded for the year ended 19X8 was \$368,000 (19X7 - \$364,800), with respect to the eligible residential component.

10. SPECIAL PAYMENTS

During the year, \$4,000 additional subsidy was provided by BC Housing for the services of a security company with respect to Building 2.

During the year, a Modernization and Improvement payment of \$10,000 was provided by BC Housing for window replacement with respect to Building 1.

11. REPLACEMENT RESERVE

Under the terms of the agreement with BC Housing, the Replacement Reserve accounts are to be credited in the amount determined by the budget provision per annum plus interest earned. 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 the Credit Union Deposit Insurance Corporation; in investments guaranteed by a Canadian government; or in other investment instruments as agreed upon with BC Housing.

The reserve funds may only be used for capital repairs and replacements, in accordance with the operating agreement.

The funds in reserve consist of the following:

	<u>19X8</u>	<u>19X7</u>
Cash	\$ 34,100	\$ 61,900
Term deposits	<u>180,000</u>	<u>100,000</u>
	<u>\$ 214,100</u>	<u>\$ 161,900</u>

12. OTHER NOTES AS REQUIRED BY THE CICA HANDBOOK

Additional notes may include lease commitments, related party transactions, etc.

ADDITIONAL NOTES REQUIRED, IF A SEPARATE AUDITORS CONFIRMATION IS NOT PROVIDED:

REPLACEMENT RESERVES

At the fiscal year end, 19x8, the replacement reserve was funded and maintained in accordance with the operating agreement and all interest accruing to the fund has been recorded.

13. TENANT RENT

The Society has on file, verification of the Income and Assets of all Tenants as required by the operating agreement with BC Housing. The Tenant Rent Contributions, as approved by BC Housing, are being charged correctly to the Rent-Geared-to-Income Tenants.

14. ACCUMULATED OPERATING SURPLUS

The Accumulated Operating Surplus is being spent and accounted for as provided in the *HOMES BC* Operating Agreement.

This example is provided for illustrative purposes only. Auditors will need to review the CICA Handbook sections 5800 and 5815, the relevant BC Housing Operating Agreements and other appropriate documentation to determine the appropriate format and content for a report.

AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT(S) WITH BC HOUSING

To: BC Housing

I have audited _____ Society's compliance as at _____, 19____ with the criteria established in Sections X, XX, XXX, XXXX of the Society's Operating Agreement(s) with BC Housing dated _____, 19____, in respect of:

- (i) Section X - verification of Income and Assets for all Tenants,
- (ii) Section XX - Tenant Rent Contributions being charged to Rent-Geared-to-Income Tenants,
- (iii) Section XXX - funding and maintenance of the Replacement Reserve, and the interest income related thereto,
- (iv) Section XXXX - spending and accounting for the Accumulated Operating Surplus of the *Homes BC* development.

Compliance with the criteria established by the provisions of the Operating Agreement(s) is the responsibility of the management of _____ Society. My responsibility is to express an opinion on this compliance based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. These standards require that I plan and perform an audit to obtain reasonable assurance whether _____ Society complied with the criteria established by the provisions of the Operating Agreement(s) referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In my opinion, _____ Society is in compliance, in all material respects, with the criteria set out in Sections X, XX, XXX, XXXX of the Society's Operating Agreement(s) with BC Housing dated _____, 19____.

City, Province
Date

(signed) AUDITOR