AYR AND DISTRICT CITIZENS ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2024

RACOLTA JENSEN LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

AYR AND DISTRICT CITIZENS ASSOCIATION

TABLE OF CONTENTS

YEAR ENDED MAY 31, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Ayr and District Citizens Association

Opinion

We have audited the financial statements of Ayr and District Citizens Association (the organization), which comprise the statement of financial position as at May 31, 2024, and the statements of changes in net assets, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at May 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 report. We are independent of the organization in accordance with 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.

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 ASNPO, 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 these financial statements.

(continues)

47 Dickson Street, Cambridge, ON N1R 7A6
tel: 519-622-1485 | fax: 519-622-1185 | general@rjllp.ca | www.rjllp.ca

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 organization'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 organization'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 organization 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.

We 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.

Cambridge, Ontario
September 16, 2024

Racolta Jensen LLP
Chartered Professional Accountants
Licensed Public Accountants

RACOLTA JENSEN LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

AYR AND DISTRICT CITIZENS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
MAY 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash	$ 844,164	$ 710,130
Accounts receivable	-	1,011
Government remittances recoverable	9,337	9,930
Prepaid expenses	19,890	16,791
	873,391	737,862
RESTRICTED FUNDS *(Note 4)*	95,391	86,007
CAPITAL ASSETS *(Note 5)*	9,132,450	9,401,069
	$ 10,101,232	$ 10,224,938
LIABILITIES		
CURRENT		
Accounts, payable and accrued	$ 22,767	$ 25,760
Rent deposits	42,377	40,749
Government remittances payable	-	13,483
Scheduled repayments of long-term debt due within one year *(Note 6)*	61,714	60,684
Loan forgiveness expected within one year *(Note 7)*	73,072	73,072
Deferred revenue	486	1,481
	200,416	215,229
DEFERRED CONTRIBUTIONS *(Note 8)*	115,983	94,774
LONG-TERM DEBT *(Note 6)*	3,587,827	3,673,784
FORGIVABLE LOANS *(Note 7)*	1,424,477	1,497,548
	5,328,703	5,481,335
ORGANIZATION'S NET ASSETS		
SURPLUS *(Note 9)*	4,772,529	4,743,603
	$ 10,101,232	$ 10,224,938

ON BEHALF OF THE BOARD

___________________________________ *Director*

(See accompanying notes to financial statements)

AYR AND DISTRICT CITIZENS ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2024

	2024	2023
SURPLUS, beginning	$ 4,743,603	$ 4,851,667
INTEREST EARNED ON RESERVES	2,129	278
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	26,797	(108,342)
SURPLUS, ending	$ 4,772,529	$ 4,743,603

(See accompanying notes to financial statements)

AYR AND DISTRICT CITIZENS ASSOCIATION
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED MAY 31, 2024

	2024	%	2023	%
REVENUES				
Rental income	$ 515,684	91.34	$ 496,950	90.37
Laundy and air conditioning	11,953	2.12	13,060	2.37
Interest	36,909	6.54	34,862	6.34
Grants	-	-	5,055	0.92
	564,546	100.00	549,927	100.00
EXPENDITURES				
Amortization	373,755	66.20	385,258	70.06
Cleaning	23,318	4.13	23,335	4.24
Equipment rentals	5,874	1.04	5,616	1.02
Hydro	27,796	4.92	24,608	4.47
Insurance	22,450	3.98	20,251	3.68
Interest and penalties	252	-	-	-
Interest on long-term debt *(Note 6)*	59,117	10.47	60,095	10.93
Maintenance - buildings	67,954	12.04	59,014	10.73
Maintenance - decorating	805	0.14	1,303	0.24
Maintenance - grounds	26,957	4.77	29,624	5.39
Natural gas	9,383	1.66	11,446	2.08
Officer administrator	10,973	1.94	8,742	1.59
Office and general	7,527	1.33	6,410	1.17
Professional fees	13,512	2.39	12,993	2.36
Subcontracts	13,606	2.41	11,133	2.02
Tenant programming	3,510	0.62	5,055	0.92
Water	23,311	4.13	23,269	4.23
	690,100	122.17	688,152	125.13
LOSS BEFORE THE FOLLOWING	(125,554)	(22.17)	(138,225)	(25.13)
OTHER REVENUE AND EXPENDITURES				
Donations	2,475	0.44	27,650	5.03
Forgiveness of loans *(Note 7)*	73,072	12.94	73,072	13.29
Refund (interest) on HST audit	77,205	13.68	(78,688)	(14.31)
Amortization of deferred contributions *(Note 8)*	3,791	0.67	3,949	0.72
Rent geared to income subsidy	(4,192)	(0.74)	3,900	0.71
	152,351	26.99	29,883	5.44
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	$ 26,797	4.82	$ (108,342)	(19.69)

(See accompanying notes to financial statements)

AYR AND DISTRICT CITIZENS ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ 26,797	$ (108,342)
Items not affecting cash:		
Amortization of capital assets	373,755	385,258
Forgiveness of loans	(73,072)	(73,072)
Amortization of deferred contributions	(3,791)	(3,949)
	323,689	199,895
Changes in non-cash working capital:		
Accounts receivable	1,010	938
Government remittances recoverable	(12,890)	14,472
Prepaid expenses	(3,099)	(834)
Accounts, payable and accrued	(2,988)	(6,532)
Rent deposits	1,628	639
Deferred contributions	25,000	-
Deferred revenue	(995)	1,481
	7,666	10,164
Cash flow from operating activities	331,355	210,059
INVESTING ACTIVITIES		
Purchase of capital assets	(105,138)	(124,472)
Interest earned on replacement reserve	2,129	278
Restricted funds	(9,384)	209,832
Cash flow from (used by) investing activities	(112,393)	85,638
FINANCING ACTIVITIES		
Repayment of long-term debt	(84,928)	(83,947)
INCREASE IN CASH FLOW	134,034	211,750
CASH - BEGINNING OF YEAR	710,130	498,380
CASH - END OF YEAR	$ 844,164	$ 710,130
CASH CONSISTS OF:		
Cash	$ 844,164	$ 710,130

(See accompanying notes to financial statements)

1. PURPOSE OF THE ORGANIZATION

The organization is incorporated without share capital under the laws of the province of Ontario as a not-for-profit organization. The purpose of the organization is to provide low income housing to seniors, low income persons and those with disabilities.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Building - 191 Stanley Street	4%	declining balance method
Computers and software	55%	declining balance method
Furniture and fixtures	20%	declining balance method
Land - 191 Stanley Street	N/A	non-depreciable
Maintenance equipment	20%	declining balance method
Office equipment	20%	declining balance method
Sidewalks and paving	8%	declining balance method
Website	5 years	straight-line method

Assets under construction are not depreciated until ready for use.

Impairment of long lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the assets carrying value exceeds the sum of its undiscounted cash flows resulting from its use and eventual disposition. No impairment has been recognized on long-lived assets.

Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include bank and restricted funds. Financial liabilities measured at amortized cost include accounts payable and accrued, and long-term debt.

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment loss not been recognized previously. The amount of the reversal is recognized in income.

The cost of financial instruments approximates their fair value due to their short-term nature.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The organization's operations are supported primarily through the collection of rents, donations, and government assistance.

Rents received from tenants are recognized as revenue as earned, in accordance to lease agreements.

Laundry and air conditioning income, is recognized when received.

The organization uses the deferral method of accounting for revenue from operating activities. Externally restricted contributions that are used towards purchasing capital assets are recognized as revenue in line with the amortization taken on the asset. Unrestricted contributions and donations are recognized as revenue when received.

Government assistance received in the form of forgivable loans, which is meant to subsidize the future rent for affordable units, is recognized as revenue in a straight line over the term of the loan.

Investment income is recognized when earned.

Income taxes

The organization is a registered charity under the Income Tax Act and is exempt from income tax.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates. Items material to the financial statements that require the use of estimates include the useful lives of capital assets, accrued liabilities, holdbacks payable, forgiveness of loans, deferred contributions and amortization expense.

4. RESTRICTED FUNDS

Restricted funds are made up of guaranteed investment certificates (GICs), deposit accounts and investment savings accounts. The GICs earn interest at an average rate of 5.3%. All GICs mature within 3 years from year end. Of these GICs, 65% mature within 180 days of year end. The restricted funds relate to the replacement reserve funds and the archaeological reserve fund (see note 9).

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Building - 191 Stanley Street	$ 9,944,522	$ 1,514,091	$ 8,430,431	$ 8,712,154
Computers and software	18,396	-	18,396	-
Furniture and fixtures	100,853	61,581	39,272	45,260
Land - 191 Stanley Street	483,031	-	483,031	483,031
Maintenance equipment	4,432	2,415	2,017	2,522
Office equipment	5,001	2,824	2,177	2,721
Sidewalks and paving	193,786	38,541	155,245	152,873
Website	3,135	1,254	1,881	2,508
	$ 10,753,156	$ 1,620,706	$ 9,132,450	$ 9,401,069

6. LONG-TERM DEBT

	2024	2023
Royal Bank of Canada mortgage - mortgage on Lot 9, part of Lot 17 and part of Birch Street, repayable in blended interest and principal repayments of $6,481, bearing fixed interest at 2.54%, due September 2029. Secured by a first mortgage and charge on the building and land located on the property in the amount of $1,956,496, an assignment of rents and leases for the existing building, an assignment of property insurance executed by the borrower in favour of the lender, and the rent reserve fund via a cash collateral agreement on the RBC savings account. Carrying value of security is $9,068,708.	$ 1,816,301	$ 1,847,748
Regional Municipality of Waterloo mortgage - mortgage on Lot 9, part of Lot 17 and part of Birch Street, bearing interest at prime plus 2%, due September 2030. Accrued interest is forgivable September 2030. As at May 31, 2024, there was no default under the conditions of the mortgage therefore the interest accrual was waived. The loan is secured by a fourth collateral charge on the building and land located on the property in the amount of $240,000. Carrying value of security is $9,068,708.	144,000	168,000
CMHC mortgage - mortgage on Lot 9, part of Lot 17 and part of Birch Street, repayable in blended interest and principal repayments of $3,523, bearing interest at 0.75%, due September 2030. The mortgage is secured by a second priority mortgage registered on title to 191 Stanley Street, a General Security Agreement granting second priority, a second priority assignment of rents and leases, an assignment of contracts, and an assignment of property insurance related to the project. Carrying value of security is $9,068,708.	1,689,240	1,718,720
	3,649,541	3,734,468
Less scheduled repayments due within one year	(61,714)	(60,684)
	$ 3,587,827	$ 3,673,784

As at May 31, 2024, there was no default under the conditions of the mortgages.

Interest expense for the above loans totaled approximately $59,117.13 (2023 - $60,015). Interest incurred up until December 1, 2020 was capitalized to the building asset.

Principal repayment terms are approximately:

2025	$ 61,714
2026	62,760
2027	63,829
2028	64,921
2029	66,038
Thereafter	3,330,279
	$ 3,649,541

7. FORGIVABLE LOANS

		2024		2023
Regional Municipality of Waterloo - forgivable term loan on Lot 9, part of Lot 17 and part of Birch Street, bearing interest at prime plus 2%, principal and accrued interest are forgivable 25 years after the completion of the project, provided there is no default under the program. As at May 31, 2024, there was no default under the conditions of the mortgage therefore the interest accrual was waived. The loan is secured by a third collateral charge on the building and land located on the property in the amount of $1,440,000. Carrying value of security is $9,068,708.	$	1,238,400	$	1,296,000
CMHC - forgivable term loan on Lot 9, part of Lot 17 and part of Birch Street. The principal is forgivable 20 years after the final advance of CMHC funds, provided there is no default under the program. The loan is secured by a second priority mortgage registered on title to 191 Stanley Street, a General Security Agreement granting second priority, a second priority assignment of rents and leases, an assignment of contracts, and an assignment of property insurance related to the project. Carrying value of security is $9,068,708.		259,148		274,620
		1,497,548		1,570,620
Less portion expected to be forgiven within one year		(73,072)		(73,072)
	$	1,424,476	$	1,497,548

These forgivable loan amounts have been treated as a deferred revenue item and forgiveness of the loans is recognized on a straight line basis over the duration of the loan term.

The forgiveness of loans recognized in income during the year totalled $73,072 (2023 - $73,072).

8. DEFERRED CONTRIBUTIONS

Deferred contributions represents restricted contributions for which the organization does not have a fund and is unable to use the funds due to its restrictions during the fiscal year. These contributions are deferred and recognized as revenue in the year in which related expenses are incurred. If the deferred contribution relates to a capital asset, the deferred contribution is recognized as revenue in line with the amortization taken on the related asset. Deferred contributions received to date were used to finance the building expansion and are amortized at a rate of 4% declining balance. New additions in 2024 related to capital spending on computer equipment, to be amortized at a rate of 55% declining balance.

		2024		2023
Deferred contributions	$	94,774	$	98,723
Add: current year additions		25,000		-
Less: restricted contributions recognized during the year		(3,791)		(3,949)
Deferred contributions, ending	$	115,983	$	94,774

9. SURPLUS

RESERVE FUNDS

The organization is required to contribute to two separate reserve accounts. During the fiscal year, one of the previously funded reserve accounts was permitted to be dissolved into the general surplus as the conditions that required the funds to be reserved had been waived.

Royal Bank of Canada Replacement Reserve

Under the terms of the RBC mortgage agreement the organization is required to establish an escrow account with RBC. The organization must contribute 2% of the monthly gross rents from 30 identified rental units into this account on the day their mortgage payments are due. Withdrawals by the organization must be approved by the lender, and the amounts must relate to costs associated with capital repairs, replacements, or improvements to the property.

Canada Mortgage and Housing Coporation Archaeological Reserve

Under the terms of the CMHC mortgage agreement the organization was required to establish and maintain a reserve account in a segregated depository account designated by the borrower in the amount of $55,000 for any costs associated with any archaeological investigation or burial investigation pertaining to land located at 191 Stanley Street. This reserve was to be maintained until the earlier of: the mortgage repayment date or the date of a letter of authorization from CMHC to release the funds. On September 6, 2023, the CMHC gave authorization to release these funds. These funds have been transferred into the general surplus as of fiscal 2024.

Canada Mortgage and Housing Coporation Replacement Reserve

Under the terms of the CMHC mortgage agreement the organization is required to establish and maintain a replacement reserve account in a segregated depository account designated by the borrower. The organization must contribute 4% of the monthly gross rents from 9 identified rental units into this account on the day their mortgage payments are due. Withdrawals by the organization must be approved by the lender, and the amounts must relate to costs associated with capital repairs, replacements, or improvements to the property.

	2024	2023
RESTRICTED SURPLUS		
Balance, beginning	$ 86,007	$ 295,839
Transfer out of restricted funds	(1,431)	(219,342)
Contribution to replacement reserve funds	8,686	9,232
Interest income	2,129	278
Balance, ending (note 4)	95,391	86,007
NON-RESTRICTED SURPLUS		
Balance, beginning	4,657,596	4,555,828
Excess (dficiency) of revenue over expenditures	26,797	(108,342)
Less: transfer to unrestricted funds	1,431	219,592
Less: allocation to replacement reserve funds	(8,686)	(9,482)
	4,677,138	4,657,596
SURPLUS		
Replacement reserve funds	95,391	86,007
Non-restricted surplus	4,677,138	4,657,596
	4,772,529	4,743,603

10. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of May 31, 2024.

Credit risk

Credit risk refers to the risk that other parties may default on their financial obligations. The organization is exposed to credit risk on its bank and restricted funds balances.
Credit risk associated with bank and restricted funds are minimized substantially by ensuring that these assets are invested in a major financial institution.
The extent of the organization's exposure to credit risk increased in 2024.

Liquidity risk

Liquidity risk refers to the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the company not being able to liquidate assets in a timely manner at a reasonable price.
The company is exposed to this risk mainly in respect of its long-term debt, and accounts payable.
The organization meets its liquidity requirements by monitoring cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.
The extent of the company's exposure to liquidity risk decreased in 2024.

Interest rate risk

Interest rate risk refers to the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The organization is exposed to interest rate risk on the Regional Municipality of Waterloo loan, the Canada Mortgage and Housing Corporation mortgage and the Royal Bank of Canada mortgage.
The extent of the organization's exposure to interest rate risk remains the same in 2024.

Unless otherwise noted, it is management’s opinion that the organization is not exposed to significant other price risks arising from these financial instruments.