AYR AND DISTRICT CITIZENS ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2023

RACOLTA JENSEN LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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RACOLTA JENSEN LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2023, and the statements of operations and net assets, and cash flows for the year ended May 31, 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared, in all material respects, 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 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 in our audit 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 for 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.

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

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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 18, 2023

Racolta Jensen LLP
Chartered Professional Accountants
Licensed Public Accountants

AYR AND DISTRICT CITIZENS ASSOCIATION
(Incorporated under the laws of Canada)

STATEMENT OF FINANCIAL POSITION AS AT MAY 31, 2023
(With comparative figures as at 2022)

	2023	2022
ASSETS		
CURRENT		
Bank	$ 710,129	$ 498,379
Accounts receivable	1,011	1,949
Government remittances recoverable	9,930	10,918
Prepaid expenses	16,791	15,957
	737,861	527,203
RESTRICTED FUNDS (note 2)	86,007	295,839
CAPITAL ASSETS (note 3)	9,401,068	9,661,853
	$ 10,224,936	$ 10,484,895
LIABILITIES		
CURRENT		
Accounts, payable and accrued	$ 25,761	$ 32,287
Rent deposits	40,749	40,110
Government remittances payable	13,483	-
Scheduled repayments of long-term debt due within one year (note 4)	60,684	59,676
Loan forgiveness expected within one year (note 5)	73,072	73,072
Deferred revenue	1,481	-
	215,230	205,145
DEFERRED CONTRIBUTIONS (note 6)	94,774	98,723
LONG-TERM DEBT (note 4)	3,673,784	3,758,740
FORGIVABLE LOANS (note 5)	1,497,548	1,570,620
	5,481,336	5,633,228
ORGANIZATION'S NET ASSETS		
SURPLUS (note 7)	4,743,600	4,851,667
	$ 10,224,936	$ 10,484,895

APPROVED ON BEHALF OF THE BOARD:

______________________________Director

(See accompanying notes to financial statements)

AYR AND DISTRICT CITIZENS ASSOCIATION

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED MAY 31, 2023
(With comparative figures for 2022)

	2023	%	2022	%
REVENUE				
Rental income	$ 496,950	90.4	$ 495,567	97.1
Laundry and air conditioning	13,060	2.4	11,278	2.2
Interest	34,862	6.3	1,448	0.3
Rebates	-	-	1,908	0.4
Grants	5,055	0.9	-	-
	549,927	100.0	510,201	100.0
EXPENDITURE				
Amortization	385,258	70.1	395,647	77.5
Cleaning	13,352	2.4	14,275	2.8
Equipment rent	5,616	1.0	5,438	1.1
Hydro	24,608	4.5	27,021	5.3
Insurance	20,251	3.7	21,340	4.2
Interest on long-term debt (note 4)	60,098	10.9	60,978	12.0
Maintenance - buildings	68,997	12.5	78,409	15.4
Maintenance - decorating	1,303	0.2	5,849	1.1
Maintenance - grounds	29,624	5.4	25,902	5.1
Natural gas	11,446	2.1	6,910	1.4
Office administrator	8,742	1.6	11,091	2.2
Office and general	6,410	1.2	4,481	0.9
Professional fees	12,993	2.4	21,476	4.2
Subcontracts	11,133	2.0	11,912	2.3
Tenant programming	5,055	0.9	-	-
Water	23,269	4.2	19,429	3.8
	688,155	125.1	710,158	139.2
LOSS BEFORE THE FOLLOWING	(138,228)	(25.1)	(199,957)	(39.2)
OTHER REVENUE AND EXPENDITURES				
Donations	27,650	5.0	13,310	2.6
Forgiveness of loans (note 5)	73,072	13.3	74,072	14.5
Interest on HST audit	(78,688)	(14.3)	-	-
Amortization of deferred contributions (note 6)	3,949	0.7	4,113	0.8
Rent geared to income subsidy	3,900	0.7	(5,914)	(1.2)
	29,883	5.4	85,581	16.8
DEFICIENCY OF REVENUE OVER EXPENDITURE	**(108,345)**	**(19.7)**	**(114,376)**	**(22.4)**
SURPLUS, beginning	4,851,667		4,963,742	
INTEREST EARNED ON RESERVES	278		2,301	
SURPLUS, ending	**$ 4,743,600**		**$ 4,851,667**	

(See accompanying notes to financial statements)

AYR AND DISTRICT CITIZENS ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2023
(With comparative figures for 2022)

	2023	2022
OPERATING ACTIVITIES		
Deficiency of revenue over expenditure for the year	$ (108,345)	$ (114,376)
Charges not requiring cash:		
Amortization	385,258	395,647
Forgiveness of loans	(73,072)	(74,072)
Amortization of deferred contributions	(3,949)	(4,113)
	199,892	203,086
CHANGES IN NON-CASH WORKING CAPITAL		
Decrease in accounts receivable	938	5,939
Decrease in government remittances recoverable	14,471	61,324
Increase in prepaid expenses	(834)	(705)
Decrease in accounts, payable and accrued	(6,528)	(95,125)
Increase in rent deposits	639	1,501
Increase in deferred revenue	1,481	-
Cash from operating activities	210,059	176,020
FINANCING ACTIVITIES		
Repayment of long-term debt	(83,947)	(92,513)
Increase in forgivable loans	-	144,000
Cash (used in) from financing activities	(83,947)	51,487
INVESTING ACTIVITIES		
Interest earned on replacement reserve	278	2,301
Purchases of capital assets	(124,472)	(83,450)
Increase in restricted funds	209,832	(11,416)
Cash from (used in) investing activities	85,638	(92,565)
INCREASE (DECREASE) IN BANK	211,750	134,942
BANK, beginning	498,379	363,437
BANK, ending	**$ 710,129**	**$ 498,379**

(See accompanying notes to financial statements)

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and reflect the following policies:

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided at the following annual rates:

Website	- 5 years on a straight line basis
Building - 191 Stanley Street	- 4% declining balance basis
Furniture and fixtures	- 20 years on a straight line basis
Land - 191 Stanley Street	- not depreciated
Maintenance equipment	- 20% declining balance basis
Office equipment	- 20% declining balance basis
Sidewalks and paving	- 8% declining balance basis

Assets under construction are not depreciated until ready for use.

(b) 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.

(c) Measurement of 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) 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.

(e) Income taxes

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

(f) 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.

2. 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 0.7%. All GICs mature within 180 days of year-end. The restricted funds relate to the replacement reserve funds and the archaeological reserve fund (see note 7).

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Building - 191 Stanley Street	$ 9,876,396	$ 1,164,242	$ 8,712,154	$ 8,968,589
Maintenance equipment	4,432	1,910	2,522	-
Sidewalks and paving	178,576	25,703	152,873	166,166
Land - 191 Stanley Street	483,031	-	483,031	483,301
Office equipment	5,001	2,280	2,721	3,401
Furniture and fixtures	97,448	52,188	45,260	40,666
Website	3,135	627	2,508	-
	$ 10,648,019	$ 1,246,950	$ 9,401,068	$ 9,661,853

4. LONG-TERM DEBT

	2023	2022
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 $9,348,058.	$ 1,847,748	$ 1,878,412
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, 2023, 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 $9,348,058.	168,000	192,000
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 $9,348,058.	1,718,720	1,748,004
	3,734,468	3,818,416
Less scheduled repayments due within one year	60,684	59,676
	$ 3,673,784	$ 3,758,740

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4. LONG-TERM DEBT - continued

As at May 31, 2023, there was no default under the conditions of the mortgages.

Interest expense for the above loans totaled approximately $60,015 (2022 - $60,954). Interest incurred up until December 1, 2020 was capitalized to the building asset. Total interest capitalized in 2022 was $NIL (2021 - $29,542).

Principal repayments of debt are as follows:

2024	$	60,684
2025		61,708
2026		62,754
2027		63,822
2028		64,915
thereafter		3,420,585
	$	3,734,468

5. FORGIVABLE LOANS

	2023	2022
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, 2023, 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 $9,348,058.	$ 1,296,000	$ 1,353,600
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 $9,348,058.	274,620	29,092
	1,570,620	1,382,692
Less portion expected to be forgiven within one year	73,072	73,072
	$ 1,497,548	$ 1,309,620

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 (2022 - $74,072).

6. 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. All deferred contributions received to date were used to finance the building expansion and are amortized at a rate of 4% declining balance.

	2023	2022
Deferred contributions, beginning	$ 98,723	$ 102,836
Less: restricted contributions recognized during the year	3,949	4,113
Deferred contributions, ending	$ 94,774	$ 98,723

7. 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.

Regional Municipality of Waterloo Replacement Reserve

Under the terms of the Housing Services Act the Replacement Reserve 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 Ministry of Municipal Affairs. Withdrawals are credited to interest first, then principal. The mortgage related to this capital reserve was extinguished in 2017. There is no longer a requirement to hold these funds in reserve, they have been transferred into the general surplus.

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.

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7. SURPLUS - continued

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 will be transferred into the general surplus next year.

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.

RESTRICTED SURPLUS

	2023	2022
Balance, beginning	$ 295,839	$ 284,423
Transfer out of restricted funds	(219,342)	-
Contribution to replacement reserve funds	9,232	9,115
Interest income	278	2,301
Balance, ending (note 2)	**86,007**	**295,839**

NON-RESTRICTED SURPLUS

	2023	2022
Balance, beginning	$ 4,555,828	$ 4,679,319
Excess (deficiency) of revenue over expenditure	(108,345)	(114,376)
Less: transfer to unrestricted funds	219,342	-
Less: allocation to replacement reserve funds	(9,232)	(9,115)
Balance, ending	**4,657,593**	**4,555,828**

SURPLUS

	2023	2022
Replacement reserve funds	$ 86,007	$ 295,839
Non-restricted surplus	4,657,593	4,555,828
Balance, ending	**4,743,600**	**4,851,667**

8. FINANCIAL INSTRUMENT RISKS

(a) 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 remains the same in 2023.

(b) 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 2023.

(c) 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 2023.