



Financial Statements

Stratford Community Seniors' Complex Ltd.

December 31, 2011

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Independent auditors' report

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Directors of Stratford Community Seniors' Complex Ltd.

We have audited the accompanying financial statements of Stratford Community Seniors' Complex ("the Complex"), which comprise the statement of financial position as at December 31, 2011, and the statements of operations and cash flows 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 provisions of Section 10 of the mortgage agreement between Stratford Community Seniors' Complex Ltd. and Canada Mortgage and Housing Corporation (CMHC).

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 provisions of Section 10 of the mortgage agreement between Stratford Community Seniors' Complex Ltd. and CMHC, 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.

Auditors' 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 overall 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 Stratford Community Seniors' Complex Ltd. as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section 10 of the mortgage agreement between Stratford Community Seniors' Complex and CMHC.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statements are prepared to assist Stratford Community Seniors' Complex Ltd. to comply with the reporting provisions of the mortgage agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of Stratford Community Seniors' Complex Ltd. and CMHC and should not be used by parties other than the Directors of Stratford Community Seniors' Complex Ltd. or CMHC.



Charlottetown, Prince Edward Island

March 31, 2012

Chartered Accountants

Stratford Community Seniors' Complex Ltd.

Statement of operations

Year ended December 31	Seniors complex	Rent supplement	2011 Total	2010 Total
Revenue				
Rent supplement subsidy	\$ -	\$ 3,062	\$ 3,062	\$ 4,692
Rent subsidy	68,098	-	68,098	81,463
Rental revenue	74,427	-	74,427	71,521
Laundry revenue	1,938	-	1,938	1,569
EcoEnergy grant	4,311	-	4,311	-
	<u>148,774</u>	<u>3,062</u>	<u>151,836</u>	<u>159,245</u>
Expenditures				
Amortization	38,023	-	38,023	33,982
Cleaning	3,352	-	3,352	3,294
Electricity	2,727	-	2,727	3,280
Heat	14,868	-	14,868	10,878
Insurance	4,942	-	4,942	5,507
Interest and bank charges	25	-	25	22
Interest on long term debt	15,081	-	15,081	22,458
Janitorial supplies	370	-	370	346
Professional fees	2,938	-	2,938	3,761
Property management (Note 5)	8,820	-	8,820	9,000
Property tax	11,710	-	11,710	11,642
Rent	-	8,832	8,832	8,482
Repairs and maintenance	22,088	-	22,088	21,585
Sewer tax	3,555	-	3,555	3,555
Snow removal	2,275	-	2,275	2,500
Transfer to replacement reserve	10,311	-	10,311	6,000
	<u>141,085</u>	<u>8,832</u>	<u>149,917</u>	<u>146,292</u>
Excess of revenue before subsidy adjustments	<u>7,689</u>	<u>(5,770)</u>	<u>1,919</u>	<u>12,953</u>
Subsidy due to CMHC	<u>\$ 7,689</u>	<u>\$ (5,770)</u>	<u>\$ 1,919</u>	<u>\$ 12,953</u>

See accompanying notes to the financial statements.

Stratford Community Seniors' Complex Ltd.

Statement of financial position

December 31	2011	2010
Assets		
Current		
Cash	\$ 11,172	\$ 22,160
Receivables		
Trade	1,704	5,926
CMHC subsidy	5,721	5,671
Prepays	<u>4,316</u>	<u>4,022</u>
	22,913	37,779
Restricted cash and deposits		
Replacement reserve fund	48,262	37,519
Damage reserve fund	<u>1,521</u>	<u>1,506</u>
	72,696	76,804
Property and equipment (Note 3)	<u>616,077</u>	<u>654,100</u>
	<u>\$ 688,773</u>	<u>\$ 730,904</u>
Liabilities		
Current		
Payables and accruals		
Trade and interest	\$ 7,291	\$ 6,305
Security deposits	2,600	2,598
Town of Stratford	5,181	10,352
Excess subsidy due to CMHC	1,919	12,953
Deferred revenue	352	-
Current portion of long term debt	<u>38,936</u>	<u>38,023</u>
	56,279	70,231
Long term debt (Note 4)	<u>578,353</u>	<u>617,290</u>
	<u>634,632</u>	<u>687,521</u>
Reserves		
Replacement reserve (Note 9)	48,262	37,519
Damage reserve (Note 9)	<u>1,521</u>	<u>1,506</u>
	<u>49,783</u>	<u>39,025</u>
Contributed surplus	<u>4,358</u>	<u>4,358</u>
	<u>\$ 688,773</u>	<u>\$ 730,904</u>

On behalf of the Council

President

Secretary – Treasurer

See accompanying notes to the financial statements.

Stratford Community Seniors' Complex Ltd.

Statement of cash flows

Year ended December 31 2011 2010

Increase (decrease) in cash and cash equivalents

Operating

Received from rents	\$ 80,889	\$ 62,636
Payments to suppliers	(98,736)	(89,377)
Received from CMHC	71,160	86,155
Received from EcoEnergy grant	4,311	-
Interest paid	<u>(15,106)</u>	<u>(22,480)</u>
	<u>42,518</u>	<u>36,934</u>

Financing

Advances (to) from related entities	(5,171)	8,748
Principal payments on long term debt	(38,024)	(33,981)
Allocation to replacement reserve	<u>(10,311)</u>	<u>(6,000)</u>
	<u>(53,506)</u>	<u>(31,233)</u>

Net (decrease) increase in cash and cash equivalents (10,988) 5,701

Unrestricted cash

Beginning of year	<u>22,160</u>	<u>16,459</u>
End of year	<u>\$ 11,172</u>	<u>\$ 22,160</u>

See accompanying notes to the financial statements.

Stratford Community Seniors' Complex Ltd.

Notes to the financial statements

December 31, 2011

1. Nature of operations

The Stratford Community Seniors' Complex Ltd. was formed to provide affordable housing facilities to seniors in the Town of Stratford. The organization has an agreement with Canada Mortgage and Housing Corporation which provides funding to assist with the operation and administration of the seniors' housing facility. The remaining funds required to operate the facility are collected from the tenants.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with Section 10 of the Non-Profit Housing Program Agreement dated November 21, 1989, with Canada Mortgage and Housing Corporation (CMHC). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because:

- (a) amortization is not provided on building and furniture and appliances purchased from loans recognized by CMHC over the estimated useful lives of these assets but rather at a rate equal to the annual principal reduction of the mortgage;
- (b) capital assets:
 - 1) purchased from accumulated surplus are charged to operations in the year the expenditure is incurred, and
 - 2) purchased from the replacement reserve are charged against the replacement reserve account, rather than being capitalized on the balance sheet and amortized over their useful lives; and
- (c) a reserve for future capital replacement is appropriated annually from operations.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of overdrafts. Bank borrowings are considered to be financing activities.

Revenue recognition

Rent is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as revenue in the year in which it is earned.

Subsidy income is recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Stratford Community Seniors' Complex Ltd.

Notes to the financial statements

December 31, 2011

2. Summary of significant accounting policies (cont'd)

Use of estimates

In preparing the Complex's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from estimates used in these financial statements.

3. Property and equipment			<u>2011</u>	<u>2010</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 72,500	\$ -	\$ 72,500	\$ 72,500
Building	867,165	341,435	525,730	562,612
Furniture and appliances	<u>28,407</u>	<u>10,560</u>	<u>17,847</u>	<u>18,988</u>
	<u>\$ 968,072</u>	<u>\$ 351,995</u>	<u>\$ 616,077</u>	<u>\$ 654,100</u>

4. Long term debt			<u>2011</u>	<u>2010</u>
2.4% CMHC mortgage payable in equal monthly instalments of \$5,428 including interest, maturing in October, 2015 and amortized to 2025. As security, the Complex has pledged a first charge on land and building.			\$ 617,289	\$ 655,313
Less: current portion			<u>38,936</u>	<u>38,023</u>
			<u>\$ 578,353</u>	<u>\$ 617,290</u>

Principal repayments in each of the next five years are due as follows: 2012 - \$38,936; 2013 - \$39,880; 2014 - \$40,843; 2015 - \$41,829; 2016 - \$42,839.

5. Related party transactions

The Complex had the following transactions with commonly controlled enterprises:

- (a) Incurred management fees of \$8,820 (2010 - \$9,000) for services provided by the Town of Stratford which share a common governance structure.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed upon by the parties involved.

Stratford Community Seniors' Complex Ltd.

Notes to the financial statements

December 31, 2011

6. CMHC contribution

The Complex has received Federal Government assistance through CMHC pursuant to Section 95 of the National Housing Act. This assistance is available to bridge the gap between total eligible operating costs and project revenues.

7. Goods and Services Tax status

The Stratford Community Seniors' Complex has been granted the status of municipality and, therefore, is eligible to claim 100% of their goods and services tax paid.

8. Director remuneration

No payments were made to any director of the Complex during 2011.

Stratford Community Seniors' Complex Ltd.

Notes to the financial statements

December 31, 2011

9. Replacement and damage reserves

Replacement

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$6,000 annually plus interest. 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 as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. During the year the Replacement Reserve was credited an additional \$4,311 to set aside funding received through the EcoEnergy program.

Damage

Under the terms of the agreement with CMHC, the Damage Reserve funds, along with accumulated interest, must be held in a separate bank account. These funds are to be used to reimburse private landlords contracted with the rent supplement program in the event that a tenant causes damage to the landlord's unit beyond normal wear and tear.

Transactions relating to the replacement and damage reserves for the year ended December 31, 2011 are as follows:

	<u>Balance beginning of year</u>	<u>Funds utilized</u>	<u>Transfer from income</u>	<u>Interest earned</u>	<u>Balance end of year</u>
Replacement reserve	\$ 37,519	\$ -	\$ 10,311	\$ 432	\$ 48,262
Balance consists of:					
Principal					\$ 47,830
Interest					<u>432</u>
					\$ 48,262
Damage reserve	\$ 1,506	\$ -	\$ -	\$ 15	\$ 1,521
Balance consists of:					
Principal					\$ 1,305
Interest					<u>216</u>
					\$ 1,521

10. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.