
SWANSEA TOWN HALL RESIDENCES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014



INDEPENDENT AUDITOR'S REPORT

**To the Directors of
Swansea Town Hall Residences and the City of Toronto**

We have audited the accompanying financial statements of Swansea Town Hall Residences, which comprise the balance sheet as at September 30, 2014 and the statements of revenues, expenditures and surplus, 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 of Swansea Town Hall Residences based on the financial reporting requirements of the Housing Services Act (HSA).

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 the HSA, 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 judgement, including the assessment of 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 Swansea Town Hall Residences as at September 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting requirements of the HSA.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Swansea Town Hall Residences to comply with the financial reporting requirements of the HSA. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for use of the Directors of Swansea Town Hall Residences and the City of Toronto and should not be distributed to or used by parties other than Swansea Town Hall Residences and the City of Toronto.



Andrew T. Vahrmeyer, Professional Corporation
Authorized to practice public accounting by CPA Ontario

Richmond Hill, Ontario
January 9, 2015

SWANSEA TOWN HALL RESIDENCES

BALANCE SHEET

AS AT SEPTEMBER 30, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	\$ 370,401	\$ 316,754
Accounts receivable	2,794	418
HST rebate receivable	35,680	57,306
Subsidy receivable	41,131	41,850
Prepaid expenses	<u>36,220</u>	<u>33,545</u>
	486,226	449,873
RESTRICTED CASH & INVESTMENTS (Note 3)	762,115	646,659
TANGIBLE CAPITAL (Note 4)	<u>4,807,893</u>	<u>5,031,834</u>
	<u>\$ 6,056,234</u>	<u>\$ 6,128,366</u>

LIABILITIES, RESERVE FUNDS AND SURPLUS

CURRENT		
Accounts payable and accrued charges	\$ 42,960	\$ 56,939
Rent deposits	46,280	46,131
Accrued mortgage payment	43,963	43,963
Subsidy payable	48,828	30,258
Current portion of mortgage payable (Note 5)	<u>237,861</u>	<u>223,941</u>
	419,892	401,232
MORTGAGE (Note 5)	4,662,107	4,899,968
REPLACEMENT RESERVE FUND (Note 6)	628,901	517,639
SURPLUS	<u>345,334</u>	<u>309,527</u>
	<u>\$ 6,056,234</u>	<u>\$ 6,128,366</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

SWANSEA TOWN HALL RESIDENCES

STATEMENT OF REVENUES, EXPENDITURES AND SURPLUS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(Note 8)

	2014 ACTUAL	2014 BUDGET	2013 ACTUAL
REVENUES			
Rental:			
Market tenants	\$ 396,642	\$ 388,798	\$ 393,733
RGI tenants	198,183	187,272	190,601
City of Toronto - subsidy	493,572	493,572	502,208
City of Toronto - year end reconciliation	(18,570)	-	(30,258)
Parking	5,980	5,700	6,000
Laundry	8,578	8,640	9,368
Interest	3,799	2,400	5,272
Other	<u>300</u>	<u>240</u>	<u>143</u>
	<u>1,088,484</u>	<u>1,086,622</u>	<u>1,077,067</u>
EXPENDITURES			
Administrative overhead (Schedule 1)	49,807	49,033	50,398
Amortization of capital costs	223,941	223,941	210,836
Bad debts (recovery)	596	-	(190)
Insurance	9,817	12,964	12,075
Materials and services (Schedule 2)	107,401	101,741	120,790
Mortgage interest	303,618	303,618	316,722
Municipal taxes	120,887	98,810	108,573
Utilities (Schedule 3)	121,102	166,425	111,817
Contracted wages and benefits	64,540	65,562	67,760
Allocation to replacement reserve	<u>50,968</u>	<u>44,168</u>	<u>50,427</u>
	<u>1,052,677</u>	<u>1,066,262</u>	<u>1,049,208</u>
REVENUE IN EXCESS OF EXPENDITURES FOR THE YEAR	35,807	\$ <u>20,360</u>	27,859
SURPLUS, BEGINNING OF YEAR	<u>309,527</u>		<u>281,668</u>
SURPLUS, END OF YEAR	\$ 345,334		\$ 309,527

See accompanying notes to financial statements.

SWANSEA TOWN HALL RESIDENCES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014	2013
CASH PROVIDED (USED)		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 35,807	\$ 27,859
Allocation to restricted reserve fund	50,968	50,427
Non-cash items		
Amortization	<u>223,941</u>	<u>210,836</u>
	310,716	289,122
Net changes in		
Accounts receivable	(2,377)	2,369
HST rebate receivable	21,627	(25,418)
Subsidy receivable	719	18,749
Prepaid expenses	(2,675)	(3,919)
Accounts payable	(13,979)	(17,478)
Rent deposits	149	999
Subsidy payable	<u>18,570</u>	<u>(49,783)</u>
	<u>332,750</u>	<u>214,641</u>
FINANCING ACTIVITIES		
Mortgage payable	<u>(223,941)</u>	<u>(210,836)</u>
INVESTING ACTIVITIES		
Expenditures from replacement reserve	(55,162)	(266,698)
Change in restricted cash & investments	(115,456)	32,335
Investment income on replacement reserve funds	<u>115,456</u>	<u>54,916</u>
	<u>(55,162)</u>	<u>(179,447)</u>
INCREASE (DECREASE) IN UNRESTRICTED CASH	53,647	(175,642)
UNRESTRICTED CASH, BEGINNING OF YEAR	<u>316,754</u>	<u>492,396</u>
UNRESTRICTED CASH, END OF YEAR	\$ 370,401	\$ 316,754

See accompanying notes to financial statements.

SWANSEA TOWN HALL RESIDENCES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. NATURE OF ORGANIZATION

The organization is incorporated under Letters Patent for the purpose of providing housing accommodation primarily to senior citizens of low or modest income. The Corporation owns and operates a 68 unit apartment complex in Toronto, Ontario. The Corporation is a non-profit organization and exempt from income tax under section 149 of the Income Tax Act.

2. 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 the financial reporting framework prescribed by the Housing Services Act (HSA) and the City of Toronto (the "City"). Some of these accounting policies, such as the amortization of capital assets and the charge to operations for the annual reserve fund contribution, do not comply with the Canadian Accounting Standards for Not-For-Profit Organizations.

Financial Instruments

The Corporation measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the period incurred.

Tangible Capital Assets

Tangible capital assets are comprised of land and building shelter costs as reported on the Certified Audited Statement of Final Capital Costs. Subsequent purchases of tangible capital assets are expensed in the year acquired. Amortization of capital assets is equal to the amount of mortgage principal repaid in the year. A replacement reserve fund is maintained to provide for future asset replacement.

Reserve Funds

The replacement reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus. All investment income earned on the restricted cash and investments (see note 3) has been set aside as reserved funds.

Revenue recognition

Housing charges are recorded at the beginning of each month, when they are due. Government subsidies from the City of Toronto are recorded using the deferral method of accounting for contributions. All other income is reported as it is earned.

SWANSEA TOWN HALL RESIDENCES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements requires management to make assumptions about future events that effect the reported amounts of assets and liabilities and disclosure of contingent 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 these estimates.

3. RESTRICTED CASH & INVESTMENTS

The corporation has established a replacement reserve fund for capital expenditures. This replacement reserve fund is to be segregated from cash balances available for current use and interest earned from its investment is returned to the replacement reserve fund. As at September 30, 2014, the reserve fund investments of \$762,115 (adjusted cost base - \$651,483) were invested with the Social Housing Investment Program in their bond (\$158,956) and equity (\$603,159) funds as administered by Phillips, Hager and North.

Based on the accumulated amount the City has provided to the Corporation plus investment income less expenditures funded from the reserve, the reserve fund is excessively invested by \$ 133,214 .

4. TANGIBLE CAPITAL ASSETS

	2014	2013
Land and building	\$ 7,472,757	\$ 7,472,757
	7,472,757	7,472,757
Accumulated amortization	<u>2,664,864</u>	<u>2,440,923</u>
Net book value	<u>\$ 4,807,893</u>	<u>\$ 5,031,834</u>

In November 1991, the Corporation entered into a lease with the City of Toronto to lease for a forty-nine year period, the land which the residences are located. The cost of the land lease is included in the cost of the land and building.

SWANSEA TOWN HALL RESIDENCES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

5. MORTGAGE

	2014	2013
First mortgage - secured by the land and building, a general assignment of rents and chattel security over equipment; payable in blended monthly payments of \$43,963 with interest at 6.122%, due June 1, 2028.	\$ 4,899,968	\$ 5,123,909
Less current portion	<u>237,861</u>	<u>223,941</u>
	<u>\$ 4,662,107</u>	<u>\$ 4,899,968</u>

The principal to be paid over the next five fiscal years respectively commencing with the fiscal year ended September 30, 2015 is \$237,861, \$252,645, \$268,349, \$285,029 and \$302,745.

6. REPLACEMENT RESERVE FUND

	2014	2013
Balance, beginning of year	\$ 517,639	\$ 678,994
Allocation from operations	50,968	50,427
Capital expenditures	(55,162)	(266,698)
Investment income	10,990	14,086
Unrealized investment gains - end of year	110,632	6,166
Unrealized investment (gains) / losses - beginning of year	<u>(6,166)</u>	<u>34,664</u>
Balance, end of year	<u>\$ 628,901</u>	<u>\$ 517,639</u>

Included in the allocation from operations is \$6,800 (2013 - \$6,800) an amount up to \$100 per unit that the Corporation is allowed to keep as a result of the change in the surplus sharing formula as per the City of Toronto guideline 2013-3 dated August 2013.

7. MANAGEMENT CONTRACT

The organization has entered into a management contract with DMS Property Management Ltd. for a period of three years commencing July 1, 2011. This contract may be cancelled by the organization by providing 90 days written notice. The management fees are based on an annual rate of \$24,500 for the first year, and \$25,600 each for the next two years, plus HST. This contract has continued on a month to month basis at the same rate and is in process of being tendered.

SWANSEA TOWN HALL RESIDENCES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

8. BUDGET FIGURES

The comparative budgeted information used in the Statement of Revenues, Expenditures and Surplus is unaudited.

9. ECONOMIC DEPENDENCE

The continued, sustained operation of Swansea Town Hall Residences is dependent on significant government subsidies. Without this level of support the continued existence of the corporation is unlikely.

10. COMMITMENTS

The Corporation has committed to \$28,500 plus HST of window replacements which were installed in the 2015 fiscal year. This amount will be funded through the replacement reserve fund.

11. FINANCIAL INSTRUMENTS

The significant financial risks to which the Corporation is exposed are credit risk and interest risk.

Credit risk:

The Corporation has exposure to credit risk to the extent that some tenants may fall into rent arrears. This risk is somewhat offset by deposits of last months rent taken. Also, tenant arrears are reviewed on a monthly basis, in order to reduce its credit exposure.

Interest Rate Risk:

The Corporation has exposure to interest rate risk instruments in that investments in equity instruments may fluctuate based on interest rate fluctuations in the market place. The Corporation does not engage in any hedging or derivative transactions to manage interest rate risk. As the City subsidy funding fully contributes towards mortgage payment costs the Corporation is not exposed to interest rate risk on its Mortgage.

SWANSEA TOWN HALL RESIDENCES

SCHEDULE TO STATEMENT OF REVENUES, EXPENDITURES AND SURPLUS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(Note 8)

	2014 ACTUAL	2014 BUDGET	2013 ACTUAL
SCHEDULE 1			
ADMINISTRATIVE OVERHEAD			
Materials and services	\$ 23,474	\$ 24,704	\$ 23,769
Management fees	<u>26,333</u>	<u>24,329</u>	<u>26,629</u>
	\$ 49,807	\$ 49,033	\$ 50,398

SCHEDULE 2

MATERIALS AND SERVICES

Building and equipment	\$ 18,084	\$ 32,994	\$ 27,607
Elevator	12,206	12,161	11,858
Electrical systems	4,480	2,700	16,801
Grounds	16,099	12,079	16,005
Heating and plumbing	30,969	15,784	23,125
Painting	4,508	6,600	11,126
Waste removal	7,537	12,365	7,017
Security	<u>13,518</u>	<u>7,058</u>	<u>7,251</u>
	\$ 107,401	\$ 101,741	\$ 120,790

SCHEDULE 3

UTILITIES

Hydro	\$ 57,583	\$ 85,023	\$ 57,598
Heating	43,296	55,583	33,335
Water	<u>20,223</u>	<u>25,819</u>	<u>20,884</u>
	\$ 121,102	\$ 166,425	\$ 111,817