

**Mariner's Co-operative Homes (Leamington) Inc.**

**Financial Statements**

**October 31, 2018**

**Mariner's Co-operative Homes (Leamington) Inc.**

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**GORDON B. LEE**  
& COMPANY CPAs

## **Independent Auditor's Report**

To: The Members of  
Mariner's Co-operative Homes (Leamington) Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mariner's Co-operative Homes (Leamington) Inc. (the Co-operative), which comprise the statement of financial position as at October 31, 2018, the statements of general fund operations and fund balance, reserve fund operations and fund balance 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 the management of Mariner's Co-operative Homes (Leamington) Inc., for the purpose of providing information to the Corporation of the City of Windsor, Housing and Children's Service Unit (the City).

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2, determining that the described framework is acceptable in the circumstances 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 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 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 Mariner's Co-operative Homes (Leamington) Inc. as at October 31, 2018, and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting described in Note 2.

**Basis of Accounting and Restriction on Use**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements of the Co-operative are prepared for the purpose of providing information to the City. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Co-operative and the City and should not be distributed to or used by other parties.

**Emphasis of Matter - Going Concern**

Without qualifying our opinion, we draw attention to Note 1 of the financial statements, which describes a material uncertainty as to the ability of Mariner's Co-operative Homes (Leamington) Inc. to continue as a going concern.

WINDSOR, ONTARIO  
January 22, 2019



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Gordon B. Lee & Company CPAs  
Licensed Public Accountants  
Chartered Professional Accountants

**Mariner's Co-operative Homes (Leamington) Inc.**

**Statement of Financial Position**

**October 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current</b>		
Cash and investments - operating	\$ 178,639	\$ 68,625
Accounts receivable	730	409
Subsidy receivable	-	12,776
HST rebate receivable (Note 2)	11,608	12,673
Prepaid expense	<u>13,877</u>	<u>12,239</u>
	<u>204,854</u>	<u>106,722</u>
Restricted capital reserve (Note 4)		
Cash and investments	<u>38,957</u>	<u>39,651</u>
Capital (Note 5)		
Land, building and equipment	4,292,725	4,292,725
Less accumulated amortization	<u>2,476,044</u>	<u>2,293,116</u>
	<u>1,816,681</u>	<u>1,999,609</u>
Other assets		
Sector support	44,825	44,825
Less: accumulated amortization	<u>25,071</u>	<u>23,223</u>
	<u>19,754</u>	<u>21,602</u>
	<u>\$ 2,080,246</u>	<u>\$ 2,167,584</u>

See accompanying Notes to the Financial Statements

	2018	2017
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 16,206	\$ 15,502
Members' deposits	23,348	18,731
Subsidy repayable (Note 3)	17,395	-
Current portion of mortgage payable (Note 6)	<u>188,135</u>	<u>184,775</u>
	<u>245,084</u>	<u>219,008</u>
Long-term		
Mortgage payable (Note 6)	<u>1,658,428</u>	<u>1,846,563</u>
	<u>1,903,512</u>	<u>2,065,571</u>
Members' equity		
Contributed surplus	3,707	3,607
General fund deficit	(190,092)	(234,106)
Reserve fund	<u>363,119</u>	<u>332,512</u>
	<u>176,734</u>	<u>102,013</u>
	<u>\$ 2,080,246</u>	<u>\$ 2,167,584</u>

Going concern (Note 1)

Approved on behalf of the Board of Directors of:  
Mariner's Co-operative Homes (Leamington) Inc.:

Herrn Bremblay Director Amy Lord Director

See accompanying Notes to the Financial Statements

**Mariner's Co-operative Homes (Leamington) Inc.**

**Statement of General Fund Operations and Fund Balance**

**For the year ended October 31, 2018**

	<b>2018 Budget (unaudited)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
Revenue (Schedule 1)	\$ <u>508,174</u>	\$ <u>503,846</u>	\$ <u>485,343</u>
Expenditures - shelter			
Administrative overhead (Schedule 2)	45,687	43,682	44,728
Mortgage interest	36,115	36,165	39,578
Property taxes	58,785	57,846	57,833
Amortization	182,930	182,927	179,564
Materials and services (Schedule 3)	65,830	41,062	51,161
Insurance	15,000	16,710	14,614
Capital reserve contribution	35,962	35,962	35,298
Utilities (Schedule 4)	50,820	46,208	52,359
HST not recoverable	-	3,174	-
Bad debts (recoverable)	<u>2,000</u>	<u>177</u>	<u>2,561</u>
	<u>493,129</u>	<u>463,913</u>	<u>477,696</u>
Excess of revenue over expenses - shelter costs	15,045	39,933	7,647
Other items			
Sector support levy	6,000	5,929	5,740
Amortization of sector support levy	<u>(2,340)</u>	<u>(1,848)</u>	<u>(1,814)</u>
	<u>3,660</u>	<u>4,081</u>	<u>3,926</u>
Excess of revenue over expenses for the year	\$ <u>18,705</u>	44,014	11,573
Fund balance deficit, beginning of year		<u>(234,106)</u>	<u>(245,679)</u>
Fund balance deficit, end of year		\$ <u>(190,092)</u>	\$ <u>(234,106)</u>

See accompanying Notes to the Financial Statements

**Mariner's Co-operative Homes (Leamington) Inc.**

**Statement of Reserve Fund Operations and Fund Balance**

**For the year ended October 31, 2018**

	<b>2018</b>	<b>2017</b>
Revenue		
Allocation from operating	\$ 35,962	\$ 35,298
Water heater rental one time incentive rebate (Note 7)	11,255	-
Interest (loss) on investments	(694)	3,791
	<u>46,523</u>	<u>39,089</u>
Expenses		
Carpet and flooring	1,562	8,820
Storm doors	1,286	-
Replace sewage pump	1,369	-
Replace mixing valves	7,576	-
Bathroom renovations	3,524	-
Stoves/refrigerators	599	1,447
Smoke detectors	-	593
	<u>15,916</u>	<u>10,860</u>
Excess of revenue over expenses for the year	30,607	28,229
Balance, beginning of year	<u>332,512</u>	<u>304,283</u>
Balance, end of year	<u>\$ 363,119</u>	<u>\$ 332,512</u>
Fund balance, consists of:		
Investments	\$ 38,957	\$ 39,651
Due from operating fund	<u>324,162</u>	<u>292,861</u>
	<u>\$ 363,119</u>	<u>\$ 332,512</u>

See accompanying Notes to the Financial Statements



**Mariner's Co-operative Homes (Leamington) Inc.**

**Statement of Cash Flows**

**For the year ended October 31, 2018**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 44,014	\$ 11,573
Other revenue - reserve fund	10,561	3,791
Expenditures from reserve fund	(15,916)	(10,860)
Items not affecting cash		
Amortization of capital assets	182,927	179,564
Amortization of sector support	1,848	1,814
Contribution to reserve fund	<u>35,962</u>	<u>35,298</u>
	259,396	221,180
Change in non-cash operating items	<u>34,599</u>	<u>(36,298)</u>
Cash provided from operations	<u>293,995</u>	<u>184,882</u>
Cash flows from financing activities		
Principal payment on mortgage	(184,775)	(181,378)
Members' fees received	<u>100</u>	<u>100</u>
	<u>(184,675)</u>	<u>(181,278)</u>
Increase in cash and cash equivalents	109,320	3,604
Cash and cash equivalents, beginning of year	<u>108,276</u>	<u>104,672</u>
Cash and cash equivalents, end of year	<u>\$ 217,596</u>	<u>\$ 108,276</u>
Represented by:		
Cash	\$ 178,639	\$ 68,625
Investments	<u>38,957</u>	<u>39,651</u>
	<u>\$ 217,596</u>	<u>\$ 108,276</u>

See accompanying Notes to the Financial Statements

# Mariner's Co-operative Homes (Leamington) Inc.

## Notes to the Financial Statements

October 31, 2018

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### 1. Purpose of the organization and Going Concern

The Co-operative was incorporated under a Certificate of Incorporation of the Province of Ontario on November 6, 1990 under the Co-operative Corporations Act 1973 as a co-operative corporation without share capital.

The purpose of the Co-operative is to provide residential accommodation to its members of the 50 unit townhouse complex located on Sherk Street in Leamington, Ontario.

The Co-operative is a non-profit entity and is exempt from income taxes under the Income Tax Act.

As at October 31, 2018, the operating fund of the Co-operative reported a cumulative deficit of \$190,092, which is funded by borrowings totaling \$324,162 from the replacement reserve fund. The Co-operative faces continuing economic pressure, and is unlikely to be able to generate a sufficient surplus within the operating fund to finance repayment of this borrowing in the foreseeable future.

The Co-operative remains dependent on the ongoing financial support of the City, to maintain its operations. Given the history of such support, the Co-operative has prepared these financial statements on the going concern basis. They do not reflect any adjustments that may be necessary should the Co-operative be unable to continue its operations as a going concern, in which case it may realize its assets and settle its liabilities in a manner different from the normal course of business, and at amounts different from those recorded in the financial statements

### 2. Summary of significant accounting policies

The financial statements are prepared in accordance with the accounting requirements of the City. Except as described below, the accounting and reporting requirements of the City and Canadian Mortgage and Housing Corporation (CMHC) are consistent with the requirements of Canadian Accounting Standards for Not-for-Profit Organizations.

Significant accounting policies followed in the preparation of these financial statements are described below:

#### **Fund accounting**

The Co-operative maintains separate funds to allow it to monitor and report separately different aspects of its operations, or to segregate certain categories of net assets which must be separately maintained as required by the Co-operative's funders. The funds maintained by the Co-operative, and their purposes, are as follows:

**Mariner's Co-operative Homes (Leamington) Inc.**

**Notes to the Financial Statements**

**October 31, 2018**

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**2. Summary of significant accounting policies (continued)**

**Fund accounting (continued)**

General fund - reports the income from members and government subsidies. It also reports expenses related to the operations and administration of the building, including minor repairs and maintenance. The unaudited budget for the general fund has been approved by the City.

Capital reserve fund - reports major repairs and replacements of the fixtures and equipment, and funds restricted for that purpose.

Contributed surplus - represents members' fees paid to date.

**Revenue recognition**

The Co-operative has three continuing significant revenue streams; market rental revenue, geared-to-income rental revenue and government subsidy. The Co-operative has a target of 18 market housing units with market housing charges being charged based on an indexed market charge approved by the City. The Co-operative has a target of 32 rent geared to income units with housing charges being charged based on the members' income. The government subsidy is provided based on an annual budget approved by the City.

The Co-operative accounts for contributions (which comprise subsidies and other non-reciprocal assistance received by the Co-operative) using the restricted fund method. Under this method, contributions which fund current operating activities are recognized as income of the general fund under the accrual basis. Contributions which fund expenses of the reserve fund are recognized as revenue of the capital reserve fund. Contributions which fund future activities are deferred and recognized as income of the relevant fund in the year when the relevant activities take place.

Housing charges and other income are recognized on the accrual basis as earned.

**HST rebates**

HST rebates are being claimed by the Co-operative at the rate of 50% on the market share and 100% on geared-to-income share on the federal portion and 78% of the market share and 82% on the geared-to-income share on the provincial portion.

# Mariner's Co-operative Homes (Leamington) Inc.

## Notes to the Financial Statements

October 31, 2018

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### 2. Summary of significant accounting policies (continued)

#### Capital assets

Capital assets are recorded at cost and constitute land and buildings used in the provision of services. Land is not amortized.

As required by the accounting requirements of the City, amortization is charged on buildings in an amount equal to the annual principal reduction of the mortgage secured on those properties rather than reflecting the useful life of the assets as required by Canadian Accounting Standards for Not-for-Profit Organizations.

Each year the Co-operative allocates funding for the replacement of capital assets. Under the accounting requirements of the City this allocation is reported as an expense of the general fund and revenue of the replacement reserve fund. Amounts spent on fixtures and equipment are not capitalized, but are recorded as an expense of the capital reserve fund.

#### Sector support

Sector support is recorded at original cost and represents an amount paid by the Co-operative to the Co-operative Housing Federation of Canada. Amortization of sector support is charged to operations at an amount equal to its portion of the principal repayment of the mortgage amortized over 35 years.

Sector support levy represents the amount charged to members to offset mortgage interest and amortization. These amounts are accounted for separately and are not included in operating expenditures. Capital assets purchased from the replacement reserve are charged against that account.

#### Measurement uncertainty

The preparation of financial statements requires the Co-operative's management to make estimates and assumptions that affect the reported value of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from those estimates.

#### Financial Instruments

The Co-operative recognizes all financial instruments at fair value when they are acquired or become an obligation of the Co-operative. Subsequent to that date, they are measured at amortized cost.

#### Contributed Services

A number of volunteers contribute their time and other resources each year. There is significant measurement uncertainty associated with determining the fair value of the time and other resources, therefore contributed services/resources are not recognized in these financial statements. There was no remuneration paid to Directors or Officers during the year.

**Mariner's Co-operative Homes (Leamington) Inc.**

**Notes to the Financial Statements**

**October 31, 2018**

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**3. Government assistance**

The Co-operative receives annual funding from the City for its operations as assistance to reduce charges paid by certain of its members. Any excess or deficiency of funding for the year will be repayable to or receivable from the City, calculated pursuant to a certain formula.

The amount repayable for the current fiscal year is subject to final determination by the City and any adjustment shall be reflected in the year they are determined.

As well, the City has allocated 6 rent supplement units which reduce the basic housing charge paid by members by means of an agreed scale. The amount received of \$30,906 (2017 - \$35,240) has been included in income.

The following amounts are receivable/(repayable) at the end of the year.

	<b>2018</b>	<b>2017</b>
Housing charge supplement - October	\$ 19,134	\$ 18,003
Rent supplement receivable	6,202	6,396
Subsidy reconciliation - October 31, 2017	(11,623)	(11,623)
Subsidy reconciliation - October 31, 2018	(31,108)	-
	<u>\$ (17,395)</u>	<u>\$ 12,776</u>

**4. Capital reserve fund**

Under the terms of the Social Housing Act, the Capital Reserve account 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 City from time to time. The funds in the account may only be used to replace ranges, refrigerators, mechanical laundry equipment, roofs, plumbing, heating equipment and/or other items of a capital nature. This reserve shall not be used for ordinary maintenance and minor repairs to the building and grounds. During 2018 the Co-operative was required to transfer \$35,962 (2017 - \$35,298) into the capital reserve fund.

**Mariner's Co-operative Homes (Leamington) Inc.**

**Notes to the Financial Statements**

**October 31, 2018**

**5. Capital assets**

	Cost	2018 Accumulated amortization	Net book value	2017 Net book value
Land	\$ 378,777	\$ -	\$ 378,777	\$ 378,777
Building	3,873,632	2,434,489	1,439,143	1,619,114
Equipment and Furnishings	68,678	41,555	27,123	30,080
Capital GST rebate adjustment	<u>(28,362)</u>	<u>-</u>	<u>(28,362)</u>	<u>(28,362)</u>
	<u>\$ 4,292,725</u>	<u>\$ 2,476,044</u>	<u>\$ 1,816,681</u>	<u>\$ 1,999,609</u>

**6. Mortgage payable**

CMHC holds the mortgage, secured by a general security agreement on the land and buildings located at 282 Sherk Street in Leamington, Ontario. The mortgage bears interest at 1.88%, with principal and interest payable in monthly installments of \$18,436 maturing December 1, 2022.

A reconciliation of movement in the outstanding mortgage balance is as follows:

	2018	2017
Balance, beginning of year	\$ 2,031,338	\$ 2,212,716
Principal repaid		
Shelter	182,927	179,564
Sector support	<u>1,848</u>	<u>1,814</u>
	1,846,563	2,031,338
Less: Current portion	<u>188,135</u>	<u>184,775</u>
Mortgage balance, end of the year	<u>\$ 1,658,428</u>	<u>\$ 1,846,563</u>

The mortgage payment requirements over the next five years are as follows:

	Principal	Interest	Total
2019	188,135	33,100	221,235
2020	191,703	29,532	221,235
2021	195,338	25,897	221,235
2022	199,042	22,193	221,235
2023	<u>202,816</u>	<u>18,419</u>	<u>221,235</u>
	<u>\$ 977,034</u>	<u>\$ 129,141</u>	<u>\$ 1,106,175</u>

**Mariner's Co-operative Homes (Leamington) Inc.**

**Notes to the Financial Statements**

**October 31, 2018**

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**7. Commitments**

**Management agreement**

The Co-operative entered into a management agreement with the Homestarts Incorporated effective December 1, 2016 for a three year term at the monthly rate of \$2,395 plus HST for the first year, \$2,475 plus HST for the second year and \$2,575 plus HST for the third year. Total management fees paid for the year ended October 31, 2018 were \$29,620 (2017 - \$30,736).

**Water heater rentals**

The Co-operative entered into an on going water heater rental agreement with Reliance Home Comfort on April 24, 2018 to rent approximately 40 power vented 40 gallon water heaters at the rate of \$27 plus HST per month and 2 conventional vented 40 gallon water heaters at the rate of \$17 plus HST per month. Reliance paid a one time incentive of \$200 for every water heater for a total of \$10,200 as well as purchase of the office water heater from the Co-operative in the amount of \$1,055 plus HST.

**8. Insurance coverage**

The Co-operative has entered into a policy with the Aviva Insurance Company of Canada for the following coverage:

Property	\$ 9,852,117
Liability	2,000,000
Directors and officers liability	1,000,000
Crime	10,000
Non-owned automobile coverage	2,000,000
Housing charges - general commercial liability	500,000

**9. Financial instruments**

The Co-operative's financial instruments comprise cash, accounts receivable, accounts payable and mortgage. The fair value of these financial instruments approximate their carrying values, unless otherwise noted

Consistent with earlier years, management does not believe that the Co-operative has any material exposure to credit risk, or to changes in market prices, interest rates or exchange rates.



**Mariner's Co-operative Homes (Leamington) Inc.**

**Schedule of Revenue**

**For the year ended October 31, 2018**

	<b>2018 Budget (unaudited)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
Occupancy charges			
Market occupants	\$ 159,620	\$ 162,187	\$ 142,601
Allowance for vacancies	(6,000)	(3,573)	(8,451)
Geared-to-income occupants	<u>92,376</u>	<u>113,037</u>	<u>100,959</u>
	<u>245,996</u>	<u>271,651</u>	<u>235,109</u>
Government subsidies			
Geared-to-income occupants (Note 3)	229,604	198,495	204,418
Rent supplement program (Note 3)	<u>31,000</u>	<u>30,906</u>	<u>35,240</u>
	<u>260,604</u>	<u>229,401</u>	<u>239,658</u>
Non-occupancy charges			
Parking	600	340	6,117
Pest control charge	-	50	2,875
Miscellaneous	<u>974</u>	<u>2,404</u>	<u>1,584</u>
	<u>1,574</u>	<u>2,794</u>	<u>10,576</u>
	<u>\$ 508,174</u>	<u>\$ 503,846</u>	<u>\$ 485,343</u>

**Schedule 1**

**Schedule of Administrative Overhead**

**For the year ended October 31, 2018**

	<b>2018 Budget (unaudited)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
Memberships and dues	\$ 4,000	\$ 3,898	\$ 3,929
Transportation and communication	2,200	2,285	1,887
Materials and services	1,400	1,044	1,115
Supplies	2,100	1,736	2,398
Management fees (Note 7)	30,467	29,620	30,736
Audit and legal fees	<u>5,520</u>	<u>5,099</u>	<u>4,663</u>
	<u>\$ 45,687</u>	<u>\$ 43,682</u>	<u>\$ 44,728</u>

**Schedule 2**

See accompanying Notes to the Financial Statements



**Mariner's Co-operative Homes (Leamington) Inc.**

**Schedule of Materials and Services**

**For the year ended October 31, 2018**

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	<b>2018 Budget (unaudited)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
Building and equipment	\$ 25,400	\$ 10,194	\$ 16,459
Waste removal	6,500	7,246	6,346
Electrical systems	4,380	5,786	2,087
Equipment	1,150	780	694
Grounds	11,500	9,975	9,905
Heating and plumbing	8,700	5,076	4,130
Painting	5,000	460	6,888
Pest control	2,000	765	3,866
Security	1,200	780	786
	<u>\$ 65,830</u>	<u>\$ 41,062</u>	<u>\$ 51,161</u>

**Schedule 3**

**Schedule of Utilities**

**For the year ended October 31, 2018**

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	<b>2018 Budget (unaudited)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
Electricity	\$ 3,640	\$ 2,581	\$ 3,622
Natural gas/water tank rental	18,640	12,144	18,450
Water	28,540	31,483	30,287
	<u>\$ 50,820</u>	<u>\$ 46,208</u>	<u>\$ 52,359</u>

**Schedule 4**

See accompanying Notes to the Financial Statements