

Financial Statements

Springfield Co-operative Homes Inc.

Mississauga, Ontario

August 31, 2023

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Independent Auditors' Report

**To the Members of Springfield Co-operative Homes Inc. and
to The Agency for Co-operative Housing on behalf of CMHC:**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Springfield Co-operative Homes Inc. (the Co-operative), which comprise the statement of financial position as at August 31, 2023 and the statements of subsidy/surplus reserve, future capital replacement reserve, accumulated surplus, operations 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 financial statements present fairly, in all material respects, the financial position of Springfield Co-operative Homes Inc. as at August 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with the financial reporting requirements of Canada Mortgage and Housing Corporation (CMHC).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Springfield Co-operative Homes Inc. 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 is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Springfield Co-operative Homes Inc. to meet the financial reporting requirements of CMHC. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for members of Springfield Co-operative Homes Inc. and The Agency for Co-operative Housing on behalf of CMHC and should not be distributed to parties other than the members of Springfield Co-operative Homes Inc. and The Agency for Co-operative Housing on behalf of CMHC. Our opinion is not modified in respect of this matter.

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 the financial reporting requirements of 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.

Independent Auditors' Report - continued

In preparing the financial statements, management is responsible for assessing Springfield Co-operative Homes Inc.'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Springfield Co-operative Homes Inc.'s financial reporting process.

Auditors' 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 auditors' 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 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 Springfield Co-operative Homes Inc.'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 Springfield Co-operative Homes Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.

Independent Auditors' Report - continued

- 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.

Toronto, Ontario
November 28, 2023

A handwritten signature in black ink that reads "Preston Yates & Clark". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Licensed Public Accountants

Springfield Co-operative Homes Inc.

August 31, 2023

Statement of Financial Position	2023	2022
Current Assets		
Cash, Note 3	\$ 4,356,040	\$ 7,007,987
Temporary investments, Note 3	2,237,253	0
Accounts receivable		
Members (net of allowance 2023 \$3,524, 2022 \$3,524)	1,056	1,825
HST	22,013	20,958
Miscellaneous	5,840	6,061
Prepaid expenses	51,814	81,485
Total Current	6,674,016	7,118,316
Capital Assets , Note 4	235,547	23,791
Reserve Funds , Note 3	4,966,591	4,283,469
Peoples Trust Company Reserve	32,564	32,564
	11,908,718	11,458,140

Approved by The Board

Director: Jahrobee Dean

Director: Jennifer Mitchell

Springfield Co-operative Homes Inc.*August 31, 2023*

Statement of Financial Position	2023	2022
Current Liabilities		
Accounts payable and accrued liabilities	\$ 61,305	\$ 153,309
Due to CMHC	28,441	16,453
Housing charge prepaids	32,446	32,354
Accrued mortgage interest	13,057	13,384
Members' deposits	129,885	130,243
Total Current	265,134	345,743
Mortgage Payable, Note 5	6,664,308	6,816,243
Total Liabilities	6,929,442	7,161,986
Contingencies, Note 13		
Net Assets		
<i>Restricted</i>		
Subsidy/surplus reserve, per statement, Note 10	111,727	111,727
Future capital replacement reserve, per statement, Note 10	4,854,864	4,171,742
<i>Unrestricted</i>		
Contributed surplus	12,685	12,685
	4,979,276	4,296,154
	11,908,718	11,458,140

The notes on pages 12 through 19 form an integral part of these financial statements.

Springfield Co-operative Homes Inc.*Year ended August 31, 2023*

Statement of Subsidy/Surplus Reserve	2023	2022
Balance beginning	\$ 111,727	\$ 111,727
<i>Balance August 31</i>	111,727	111,727

Statement of Future Capital Replacement Reserve		
Balance beginning	4,171,742	3,872,593
Add (deduct)		
Appropriated from operations	525,000	500,000
Investment income, Note 3	125,037	22,950
Supplementary contribution from accumulated surplus	337,378	241,578
Expenditures, Note 6	(304,293)	(465,379)
<i>Balance August 31</i>	4,854,864	4,171,742

Statement of Accumulated Surplus		
Balance beginning	0	0
Add (deduct)		
Surplus	337,378	241,578
Supplementary contribution to future capital replacement reserve	(337,378)	(241,578)
<i>Balance August 31</i>	0	0

Springfield Co-operative Homes Inc.*Year ended August 31, 2023*

Statement of Operations	2023	2022
Revenue		
Housing charges	\$ 1,509,941	\$ 1,491,540
FCHI-2 rental assistance	128,683	127,416
Vacancy loss	(27,458)	(10,010)
Other revenue, Note 7	221,349	57,444
Total Revenue	1,832,515	1,666,390
Expenses		
Mortgage interest	158,487	162,372
Amortization of mortgage fees	18,867	18,867
Property taxes	194,107	184,354
Insurance	68,850	78,092
Repairs and maintenance	225,618	213,748
Administrative, per schedule	48,072	40,261
Hydro	36,793	37,476
Fuel	1,465	721
Water and sewage	12,569	11,278
Landscaping	27,964	13,448
Committee, Note 8	4,334	5,885
Legal	8,462	1,492
Future capital replacement reserve	525,000	500,000
Management fees, Note 12	164,549	156,818
Total Expenses	1,495,137	1,424,812
Surplus	337,378	241,578

Springfield Co-operative Homes Inc.*Year ended August 31, 2023*

Schedule of Administrative Expenses	2023	2022
Salaries, net of Canada Summer Jobs grant 2023 \$4,340, 2022 \$4,561	\$ 1,308	\$ 228
Audit	13,900	11,860
Photocopier lease	3,979	3,229
Telephone	4,668	2,294
CHF membership dues	12,063	11,840
Computer	3,470	2,956
Office supplies	5,508	5,976
Meetings and community development	2,002	920
Security	600	612
Other	574	346
	<hr/> 48,072	<hr/> 40,261

Springfield Co-operative Homes Inc.

August 31, 2023

Statement of Cash Flows	2023	2022
Operating Activities		
Surplus	\$ 337,378	\$ 241,578
Non-cash items		
Amortization of mortgage fees	18,867	18,867
Appropriation to replacement reserve	525,000	500,000
	881,245	760,445
Net change in non-cash working capital	(51,004)	102,888
Cash Provided By Operating Activities	830,241	863,333
Investing Activities		
Reserve expenditures	(304,293)	(465,379)
Capital expenditures	(211,756)	(16,521)
Increase in investments and restricted cash	(2,920,375)	(299,149)
Investment income earned in reserve	125,037	22,950
Change in Peoples Trust Company reserve	0	(32,564)
Cash Used In Investing Activities	(3,311,387)	(790,663)
Financing Activities		
Principal portion of mortgage payments	(170,801)	(153,158)
Increase in contributed surplus	0	200
Change in mortgage fees	0	2,392
Cash Used In Financing Activities	(170,801)	(150,566)
Net cash decrease during the year	(2,651,947)	(77,896)
Cash position beginning of year	7,007,987	7,085,883
Cash Position End of Year	4,356,040	7,007,987

Notes to Financial Statements

Status and Nature of Activities

Springfield Co-operative Homes Inc. (the Co-operative) was incorporated under the Co-operative Corporations Act on March 21, 1983, as a corporation without share capital to provide subsidized housing. The Co-operative became fully operational on its mortgage interest adjustment date of September 1, 1984 - Phase I and July 1, 1986 - Phase II. A Board of Directors is elected from the Co-operative's membership which is made up of residents.

The Co-operative claims an exemption from income tax under section 149(1)(l) of the Income Tax Act as a corporation operating exclusively for social welfare. No portion of the Co-operative's income is available for the personal benefit of any member.

Effective July 1, 2021, an agreement was reached with Canada Mortgage and Housing Corporation (CMHC) under the Federal Community Housing Initiative Phase II (FCHI-2) to provide rent supplement funding until March 31, 2028; currently at \$11,723 per month.

Note 1

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 CMHC. This framework requires the financial statements to be prepared in accordance with Canadian accounting standards for Not-for-Profit Organizations subject to the following significant exceptions:

- (a) amortization of capital assets included amortization of land and was equal to the principal repaid on the mortgages rather than on the estimated useful lives of the related assets;
- (b) capital expenditures may be charged to the future capital replacement reserve rather than capitalized and amortized over their estimated useful lives;
- (c) a reserve for future capital replacement is appropriated from operations;
- (d) investment income earned on the future capital replacement is credited directly to the reserve rather than to operations;
- (e) long-term debt is not segregated between current and long-term on the statement of financial position.

Note 1 Significant Accounting Policies - continued

Revenue Recognition

Housing charges are recognized when due at the beginning of each month. Government subsidies are recognized using the deferral method of accounting for contributions.

Laundry revenue is recognized when collected. Collection takes place on a quarterly basis.

Parking revenue is recognized at the beginning of the period during which the right to use the space is provided.

Investment income includes interest from cash and fixed income investments, reinvested distributions from mutual funds and realized gains and losses on the disposal of investments and unrealized gains and losses resulting from the changing value of investments. Revenue is recognized on an accrual basis. Interest from fixed income investments is recognized over the term of these investments using the effective interest method.

Use of Estimates

The preparation of financial statements requires management to make assumptions about future events that affect 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.

Financial Instruments

(a) Measurement of Financial Instruments

The Co-operative initially measures its financial assets and financial liabilities at fair value.

The Co-operative subsequently 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 income.

Financial assets measured at amortized cost include cash, guaranteed investment certificates, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, amounts due to members and long-term debt.

Note 1 Significant Accounting Policies - continued

(b) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, 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 not been recognized previously. The amount of the reversal is recognized in income.

Note 2 Financial Instruments

Risk Management Policy

The Co-operative is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at August 31, 2023:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a loss.

The Co-operative is subject to concentrations of credit risk through its accounts receivable. Housing charges are due on the first day of the month. Members receivable represent housing charges that are at least one month past due. The credit risk associated with receivables from current members is offset somewhat by the Co-operative holding deposits for each member.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates. These fluctuations may be significant. The methods and assumptions management uses when assessing market risks have not changed substantially from the prior period and are summarized below:

Interest Rate Risk

The Co-operative manages its investments based on its cash flow needs and with a view to optimizing its investment income. The Co-operative has invested its excess cash in low risk interest bearing vehicles such as guaranteed investment certificates, term deposits and money market mutual funds as the means for managing its interest rate risk.

The mortgage bears a fixed interest rate.

Springfield Co-operative Homes Inc.*August 31, 2023***Note 2 Financial Instruments - continued****Liquidity Risk**

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with financial liabilities. The Co-operative is exposed to liquidity risk arising primarily from long-term debt and accounts payable. The risk is reduced because of considerable sums invested in guaranteed investment certificates and term deposits.

Note 3 Cash, Investments and Reserve Funds

	2023	2022
Cash		
Petty cash	\$ 100	\$ 100
Operating current account	3,285,761	241,477
Savings account	1,070,179	8,045,677
	<u>4,356,040</u>	<u>8,287,254</u>
Temporary Investments		
Money market funds	0	2,659,484
Guaranteed investment certificates	3,303	116,142
Term deposits	7,200,541	3,722
	<u>7,203,844</u>	<u>2,779,348</u>
Long-Term Investments		
Guaranteed investment certificates	0	224,854
	<u>11,559,884</u>	<u>11,291,456</u>
Composed of:		
Cash	4,356,040	7,007,987
Temporary investments	2,237,253	0
Amount required to fund reserve - restricted	4,966,591	4,283,469
	<u>11,559,884</u>	<u>11,291,456</u>
Investment income includes:		
Interest	<u>333,215</u>	<u>63,737</u>
Allocated as follows:		
Future capital replacement reserve	125,037	22,950
Operations	208,178	40,787
	<u>333,215</u>	<u>63,737</u>

The average rate of return during the year was 2.9% (2022, 0.6%).

Springfield Co-operative Homes Inc.*August 31, 2023***Note 4****Capital Assets**

The breakdown of capital costs are as follows:

	2023	2022
At cost		
Land	\$ 2,395,995	\$ 2,395,995
Construction	4,556,621	4,556,621
Organization expenses	707,582	707,582
Furniture and equipment	37,114	37,114
Interest credits	(16,690)	(16,690)
Capital repairs (RRAP)	15,468	15,468
	7,696,090	7,696,090
Pre IAD income	(13,809)	(13,809)
	7,682,281	7,682,281
Accumulated amortization	(7,666,812)	(7,666,812)
Accumulated amortization of capital repairs (RRAP)	(15,468)	(15,468)
	1	1
Capital assets under refinanced mortgage	235,546	23,790
	235,547	23,791

Note 5**Mortgage Payable**

On June 11, 2021, the Co-operative obtained a new mortgage loan with Peoples Trust Company.

Details of the mortgage at August 31 are:

Principal balance	\$7,139,200
Interest rate	2.31%
Term	10 years and 3 months ending December 1, 2031
Amortization	30 years ending September 1, 2051
Monthly principal and interest payments	\$27,468

The status of the mortgages is as follows:

	2023	2022
Advances received	\$ 7,139,200	\$ 7,139,200
Deduct		
Principal repaid	(323,959)	(153,158)
Unamortized mortgage fees	(150,933)	(169,799)
	6,664,308	6,816,243

Springfield Co-operative Homes Inc.*August 31, 2023***Note 5 Mortgage Payable - continued**

Principal payments due in the next five years are approximately as follows:

2024	\$	174,769
2025		178,830
2026		182,985
2027		187,236
2028		191,586

Note 6 Reserve Expenditures

Expenditures charged to the future capital replacement reserve are as follows:

	2023	2022
Patios	\$ 50,344	\$ 0
Mould remediation	46,363	15,878
Office renovation	45,926	0
Stairwells	36,218	0
Doors and windows	35,863	0
Elevator	22,102	3,878
HVAC	20,615	23,813
Bathroom renovations	17,847	11,453
Plumbing	7,728	10,759
Appliances	7,109	1,191
Furniture	5,808	0
Security camera	4,576	0
Fencing	3,794	120,902
Automatic doors	0	121,885
Remedial repairs, ramps and pathways	0	89,222
Flooring and carpet	0	35,941
Fire and safety	0	19,207
Stairlift	0	9,300
Roofing	0	1,950
	<u>304,293</u>	<u>465,379</u>

Springfield Co-operative Homes Inc.*August 31, 2023*

Note 7 Other Revenue

Other revenue is comprised of the following:

	2023	2022
Parking	\$ 4,400	\$ 4,190
Laundry	4,584	4,613
Investment income, Note 3	208,178	40,787
Miscellaneous	4,187	7,854
	<u>221,349</u>	<u>57,444</u>

Note 8 Committee Expenses

Details of the committee expenses are as follows:

	2023	2022
Social	\$ 250	\$ 625
Youth	1,001	2,083
House	1,219	1,257
Miscellaneous	1,864	1,920
	<u>4,334</u>	<u>5,885</u>

Note 9 Transactions With Members

Over 80% of the Co-operative's revenue has been derived from or on behalf of members of the Co-operative.

Note 10 Restrictions on Net Assets

The future capital replacement reserve is internally restricted by the Board of Directors. These funds can only be used for capital expenditures approved by the Board of Directors.

The subsidy/surplus reserve is internally restricted by the Board of Directors. These funds only be used to meet future subsidy requirements of income-tested members.

Note 11 Contractual Obligation

The Co-operative entered into a contract with Element Elevators Inc. in the amount of \$194,200 plus HST for elevator modernization and maintenance. As of year-end, \$19,420 plus HST has been reflected in these financial statements.

Springfield Co-operative Homes Inc.

August 31, 2023

Note 12 Management Fees

The Co-operative entered into a 3 year contract with Precision Property Management Inc. to provide management and bookkeeping services. The remaining terms are as follow:

September 1, 2023 to November 30, 2023	\$12,491 plus HST
December 1, 2023 to November 30, 2024	\$12,866 plus HST
December 1, 2024 to November 30, 2025	\$13,252 plus HST

Note 13 Contingencies

During a prior year, two claims were filed against the Co-operative. One in the amount of \$210,000 by a member for personal injury and loss of property allegedly caused by mold in the unit. Another in the amount of \$35,000 by a member on a basis of various maintenance issues in the unit. The Co-operative's insurance company is currently defending these claims. No amounts related to these claims are reflected in these financial statements.