Castle Arms Non-Profit Apartment Corporation

Financial Statements

For the year ended December 31, 2021

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Contents

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Independent Auditor's Report

To the Members and the Board of Directors of Castle Arms Non-Profit Apartment Corporation

Opinion

We have audited the financial statements of Castle Arms Non-Profit Apartment Corporation, which comprise the statement of financial position as at December 31, 2021, the statements of operations and changes in net assets, 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 accompanying financial statements present fairly, in all material respects, the financial position of Castle Arms Non-Profit Apartment Corporation as at December 31, 2021, and results of operations and cash flows for the year then ended in accordance with financial reporting provisions established by the District of Nipissing Social Services Administration Board (DNSSAB) as described in Note 1.

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 Castle Arms Non-Profit Apartment Corporation 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.

Basis of Accounting and Restriction on Use

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 Castle Arms Non-Profit Apartment Corporation to comply with the reporting requirements of the DNSSAB. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of Castle Arms Non-Profit Apartment Corporation and the DNSSAB and should not be used by parties other than the Board of Directors of Castle Arms Non-Profit Apartment Corporation and the DNSSAB.

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 financial reporting provisions established by the District of Nipissing Social Services Administration Board (DNSSAB) as described in Note 1, 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 Castle Arms Non-Profit Apartment Corporation'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 Castle Arms Non-Profit Apartment Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Castle Arms Non-Profit Apartment Corporation's financial reporting process.

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 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 Castle Arms Non-Profit Apartment Corporation'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 Castle Arms Non-Profit Apartment Corporation'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 Castle Arms Non-Profit Apartment Corporation 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
April 27, 2022

Castle Arms Non-Profit Apartment Corporation
Statement of Financial Position

December 31	2021	2020
Assets		
Unrestricted Assets		
Cash and cash equivalents	$ 595,373	$ 717,185
Accounts receivable (Note 2)	46,192	46,382
Prepaid expenses	-	33,926
	641,565	797,493
Restricted Assets		
Capital reserve fund assets (Note 10)	1,553,222	1,473,229
Surplus Capital funds (Note 9)	7,658	7,658
	1,560,880	1,480,887
Capital assets (Notes 3 and 6)	10,771,305	11,657,571
	$12,973,750	$ 13,935,951

	2021	2020
Liabilities, Reserve Funds and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	$ 112,605	$ 149,010
Current portion of long-term debt (Note 6)	809,962	5,931,664
	922,567	6,080,674
Long-term debt (Note 6)	7,534,785	3,173,544
Deferred capital contributions (Note 5)	2,399,195	2,525,003
	10,856,547	11,779,221
Reserve Funds (Note 10)		
Capital Reserve Fund - Castle Arms I, II & III	1,178,288	1,099,341
Capital Reserve Fund - Castle Arms IV	341,073	343,201
Capital Reserve Fund - Castle Arms Mattawa	33,861	30,687
Surplus Capital funds (Note 9)	7,658	7,658
	1,560,880	1,480,887
Unrestricted Net Assets	556,323	675,843
	$12,973,750	$ 13,935,951

On behalf of the Board:

______________ Director ______________ Director

The accompanying notes are an integral part of these financial statements.

Castle Arms Non-Profit Apartment Corporation
Statement of Operations and Changes in Net Assets

For the year ended December 31	2021 Budget	**2021 Actual**	2020 Actual
Revenues (Note 12)	$ 2,955,412	**$ 3,133,528**	$ 3,201,164
Expenses			
Municipal taxes	368,674	**392,715**	382,428
Materials and services	325,979	**381,182**	306,677
Interest on long-term debt	380,675	**380,675**	460,960
Utilities	369,898	**370,610**	370,218
Labour and related expenses	333,610	**351,270**	346,262
Administrative overhead (Note 8)	163,992	**159,834**	150,921
Insurance	34,268	**31,748**	37,237
Amortization	791,508	**886,263**	838,996
	2,768,604	**2,954,297**	2,893,699
Excess of revenues over expenses before other items	186,808	**179,231**	307,465
Transfer to capital reserve (Note 10)	(186,808)	**(184,252)**	(263,141)
Excess of revenues over expenses for the year	-	**(5,021)**	44,324
Unrestricted net assets, beginning of year	-	**675,843**	631,519
Transfer of prior year surplus to reserve		**(56,837)**	(50,887)
Prior year settlement adjustments (Note 13)	-	**(57,662)**	50,887
Unrestricted net assets, end of year	$ -	**$ 556,323**	$ 675,843

The accompanying notes are an integral part of these financial statements.

Castle Arms Non-Profit Apartment Corporation
Statement of Capital Reserve Funds

For the year ended December 31	2021	2020
Capital Reserve Fund - Castle Arms I, II & III (Note 10)		
Balance, beginning of year	**$ 1,099,341**	$ 905,259
Investment and other income (loss)	**(10,446)**	64,875
	1,088,895	970,134
One-time funding (Note 13)	**56,837**	50,887
Transfer from operations	**144,168**	220,676
Expenses	**(111,612)**	(142,356)
Balance, end of year	**$ 1,178,288**	$ 1,099,341

Capital Reserve Fund - Castle Arms IV (Note 10)		
Balance, beginning of year	**$ 343,201**	$ 306,682
Investment income	**83**	167
	343,284	306,849
Transfer from operations	**34,420**	36,465
Expenses	**(36,631)**	(113)
Balance, end of year	**$ 341,073**	$ 343,201

Capital Reserve Fund - Castle Arms Mattawa (Note 10)		
Balance, beginning of year	**$ 30,687**	$ 24,704
Investment income	**28**	56
	30,715	24,760
Transfer from operations	**5,664**	6,000
Expenses	**(2,518)**	(73)
Balance, end of year	**$ 33,861**	$ 30,687

The accompanying notes are an integral part of these financial statements.

Castle Arms Non-Profit Apartment Corporation
Statement of Cash Flows

For the year ended December 31	2021	2020
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	**$ (5,021)**	$ 44,324
Items not involving cash		
Amortization	**886,263**	838,996
Deferred capital contributions	**(125,808)**	(125,803)
	755,434	757,517
Changes in non-cash working capital balances		
Accounts receivable	**190**	262
Prepaid expenses	**33,929**	(27,336)
Accounts payable and accrued liabilities	**(36,405)**	(14,917)
	753,148	715,526
Financing activities		
Repayment of long-term debt	**(760,461)**	(711,217)
Transfer of surplus funds to reserve	**(56,837)**	-
Subsidy adjustments (Note 13)	**(57,662)**	-
	(874,960)	(711,217)
(Decrease) increase in cash and cash equivalents during the year	**(121,812)**	4,309
Cash and cash equivalents, beginning of year	**717,185**	712,876
Cash and cash equivalents, end of year	**$ 595,373**	$ 717,185

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Nature of Corporation

The Corporation was incorporated under the laws of Ontario as a non-profit corporation without share capital on August 8, 1986. The primary purpose of the organization is to provide housing to senior citizens on a rent geared to income basis.

The Corporation owns and operates four apartment buildings in North Bay and one in Mattawa, totaling 241 individual units.

Income Taxes

No provision is made for income taxes in these financial statements as the organization is a non-profit organization and is exempt from income tax.

Basis of Accounting

These financial statements have been prepared by the organization in accordance with significant accounting principles set out below to comply with the District of Nipissing Social Services Administration Board (DNSSAB). The basis of accounting used in these financial statements materially differ from Canadian accounting standards for not-for-profit organizations as described in the following:

a. Capital Assets

Capital assets financed from mortgage advances secured by Government funding agreements, or funded by Government contributions are recorded in an amount equal to aggregate of the mortgage advance and the initial capital contribution. Thereafter, amortization of the capital assets is equal to the annual principal reduction of the mortgages and a reduction in the capital contributions. All other approved capital assets are expensed in the applicable capital reserve fund.

b. Capital Reserve Fund

The Capital Reserve Fund is funded by approved transfers from operations.

Capital expenses are charged to the respective fund when incurred.

Investment income on fund assets is recorded as income in the respective fund.

Except as noted above, the Corporation's accounting policies are in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), which is one of the financial reporting frameworks in Canadian generally accepted accounting principles.

1. **Summary of Significant Accounting Policies** (continued)

Revenue Recognition

Rent revenue is recorded when earned each month in accordance with the accrual basis of accounting.

Subsidy revenue is recognized in the period to which the related expenditures were incurred. Any subsidy adjustments from prior years, if any, are recorded in the year in which they become known to the Corporation.

Other revenue is recorded when received.

Deferred Capital Contributions

Deferred capital contributions represent restricted contributions relating directly to the capital assets. These contributions are amortized to revenue at rates corresponding to the full payment terms of the mortgages related to the specific capital assets. Amortization has therefore been recorded on a basis of a useful life of 30 years.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. The Corporation's financial assets consist of cash and cash equivalents, short term investments and accounts receivable. In subsequent periods they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations required management to make estimates and assumptions 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 periods. Estimates are used when determining year-end accruals. Actual results could differ from those estimates.

2. Accounts Receivable

	2021	2020
HST receivable	$ **34,839**	$ 43,271
Other receivables	**11,353**	3,111
	$ **46,192**	$ 46,382

3. Capital Assets

	2021		2020	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	$ **23,597**	$ **-**	$ 23,597	$ -
Castle Arms I	**3,986,478**	**3,589,383**	3,986,478	3,372,902
Castle Arms II	**5,544,758**	**3,985,495**	5,544,758	3,702,815
Castle Arms III	**3,310,003**	**2,107,479**	3,310,003	1,957,068
Castle Arms IV	**7,728,150**	**1,590,821**	7,728,150	1,400,547
Mattawa	**1,936,993**	**485,496**	1,936,993	439,076
	$22,529,979	**$11,758,674**	$ 22,529,979	$ 10,872,408
Net book value		**$10,771,305**		$ 11,657,571

4. Accounts Payable and Accrued Liabilities

	2021	2020
Accounts payable and accrued liabilities	$ **112,605**	$ 149,010

Included in the above are government remittances payable of 1,772 (2020 - $924).

December 31, 2021

5. Deferred Capital Contributions

Deferred capital contributions represent government funding received for the building of the Castle Arms IV and Mattawa locations, and are being recognized over the life of the mortgage:

	2021	2020
Balance, beginning of year	**$ 2,525,003**	$ 2,650,806
Less: amortization recorded during the year	**(125,808)**	(125,803)
Balance, end of the year	**$ 2,399,195**	$ 2,525,003

December 31, 2021

6. Long-term Debt

	2021	2020
Castle Arms I mortgage bearing interest at 2.61%, repayable in blended monthly payments of $19,186, until maturity in October 2023.	**$ 411,757**	$ 628,238
Castle Arms II mortgage bearing interest at 5.83%, repayable in blended monthly payments of $31,772, until maturity in May 2024.	**1,559,263**	1,841,943
Castle Arms III mortgage bearing interest at 5.83%, repayable in blended monthly payments of $18,694, until maturity in May 2024.	**1,202,524**	1,352,935
Castle Arms Mattawa mortgage bearing interest at 2.84%, repayable in blended monthly payments of $3,243, until maturity in June 2026.	**778,433**	792,789
Castle Arms Mattawa mortgage bearing interest at 2.84%, repayable in blended monthly payments of $947, until maturity in June 2026.	**170,277**	176,133
Castle Arms IV mortgage bearing interest at 2.84%, repayable in blended monthly payments of $14,338, until maturity in June 2026.	**3,441,681**	3,505,599
Castle Arms IV mortgage bearing interest at 2.84%, repayable in blended monthly payments of $4,329, until maturity in June 2026.	**780,812**	807,571
	8,344,747	9,105,208
Less: amounts due within one year included in current liabilities	**809,962**	5,931,664
	$ 7,534,785	$ 3,173,544

December 31, 2021

6. Long-term Debt (continued)

The long-term liabilities are secured in part by a first charge on the capital assets of the corporation.

Principal repayments for the next five years and thereafter assuming similar renewal terms are as follows:

2022	$ 809,962
2023	808,233
2024	1,248,107
2025	846,308
2026	144,597
Thereafter	4,487,540
	$ 8,344,747

7. Government Grants

During the year, the Corporation received $865,911 (2020 - $942,755) in financial assistance to assist the organization in providing housing to seniors on a rent geared to income basis. The agreements are administered by the local government through the District of Nipissing Social Services Administration Board (DNSSAB).

8. Management Contract / Related Party Transactions

The organization utilizes certain administrative services of The Board of Management for the District of Nipissing East ("Cassellholme") and certain employees, Cassellholme is related by way of some common management and board of directors. The organization pays management fees to Cassellholme and certain Cassellholme employees for the provision of administrative services. Included in administrative overhead are management fees totaling $120,554 (2020 - $118,440).

December 31, 2021

9. Surplus Capital Funds

In a previous year, the Ministry of Municipal Affairs and Housing requested that the organization forward to the Province of Ontario Savings office the surplus capital funds relating to Castle Arms III. Consequentially, $7,658 was transferred and will be held on behalf of the organization to be applied against the principal amount of the related mortgage on renewal on May 1, 2024.

10. Capital Reserve Fund

Under the terms of the agreement with the Ministry of Municipal Affairs and Housing, capital reserve funds are to be maintained and amounts approved by the Ministry of Municipal Affairs and Housing are to be deposited into this fund annually. For the year ended December 31, 2021, $184,252 (2020 - $263,141) was deposited into the funds from operations. The funds along with accumulated interest must be held in separate bank accounts and/or invested in accounts or instruments insured by Canada Deposit Insurance Corporation or as may otherwise be approved by the Ministry of Municipal Affairs and Housing. The funds are available to finance approved capital asset replacements. Withdrawals are credited to interest first and then principal. At December 31, 2021 the assets of the capital reserve funds consisted of the following:

	2021	2020
Cash in bank	**$ 854,933**	$ 762,047
Investments (i)	**698,289**	711,182
	$ 1,553,222	$ 1,473,229

(i) Investments are held in short-term bond fund units.

11. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic conditions. The Corporation's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and accounts receivable. The Corporation's cash and cash equivalents are all held at a major financial institution. The Corporation maintains cash and cash equivalents in excess of federally insured limits and is therefore exposed to credit risk from this concentration of cash and cash equivalents.

Liquidity Risk

Liquidity risk is the risk that the Corporation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and mortgages payable.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The corporation is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-interest instruments subject the corporation to a fair value risk.

The corporation mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

There has been no change in the risk assessment of the Corporation from the previous year.

December 31, 2021

12. Revenues

	2021	2020
Market rent revenue	**$ 1,233,045**	$ 1,216,648
Geared to income rent revenue	**784,546**	796,994
Government subsidies (Note 7)	**865,911**	942,755
Amortization of deferred capital contributions	**125,808**	125,803
Other revenue	**124,218**	118,964
	$ 3,133,528	$ 3,201,164

13. Government Subsidy Adjustments

Prior year settlements

	2021	2020
December 31, 2019 DNSSAB settlement receivable	**$ -**	$ 50,887
2018/2019 fiscal year settlements by DNSSAB	**(103,150)**	-
December 31, 2020 fiscal year settlement by DNSSAB	**45,488**	-
	$ (57,662)	$ 50,887

Each year, the corporation completes year end settlement forms to estimate the amount that is receivable or payable to the District of Nipissing Social Services Administration Board at year end. These amounts are recorded as an adjustment to the statement of operations in the year that the amounts become determinable. Subsequent settlements of prior year ends that vary from the estimated settlement are recorded as adjustments to unrestricted net assets in the year the settlement occurs.

14. Uncertainty due to COVID-19

During the year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the corporation, it's tenants, employees, suppliers and other third party funders which could impact the timing and amounts realized on the corporation's assets and future ability to deliver services. At this time, the full potential impact of COVID-19 on the corporation is not known.

The corporation experienced an increase in labour and related costs due to requirement for increased housekeeping expenses under COVID 19 protocol.