



# Notice No: 09-13

**APPLICABLE TO:****DATE: September 28, 2009**

<input checked="" type="checkbox"/>	<b>Municipal &amp; Private Non Profit</b>
<input checked="" type="checkbox"/>	<b>Co-operatives</b>
<input checked="" type="checkbox"/>	<b>Federal Non Profits</b>
<input type="checkbox"/>	<b>OCHAP/CSHP</b>
<input type="checkbox"/>	<b>Rent Supplement</b>

<input checked="" type="checkbox"/>	<b>Mandatory</b>
<input type="checkbox"/>	<b>For Information</b>

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**SUBJECT: Treatment of Financial Investments (Capital & Operating Reserves)****Background**

The *Social Housing Reform Act, 2000 (SHRA)*, s. 113 requires housing providers to give to the service manager (i.e, Niagara Regional Housing) an annual report for the year, in the form authorized by the Minister. O. Regulation 339/01, s. 36 requires that the annual report include:

- Audited financial statements;
- Information concerning amounts reported in the audited financial statements; and,
- Information to enable the service manager (Niagara Regional Housing) to calculate the amount of any subsidy payable to the housing provider.

**Report**

In 2008, the Canadian Institute of Chartered Accountants (CICA) issued a new standard with the accounting for and disclosures related to financial investments with non-profit organizations.

This change required non-profits to record investments such as Capital Reserve Fund balances at their current market value. Housing providers were required to calculate the market value of their investments and book any loss or gain in that year, in their statement of operations.

Housing provider financial statements are for the use of the housing provider and Niagara Regional Housing for funding purposes only. The basis of accounting for non-profit organizations governed by social housing legislation does not currently comply with Generally Accepted Accounting Principles (GAAP) in terms of amortization and purchase of capital assets.

Niagara Regional Housing requires housing providers to disregard the CICA change and direct their auditors to continue to record their capital reserve and operating reserve investments at book value (i.e., record the investment to equal the provider's actual cash contribution to the applicable fund). The gains or losses will be recorded at the time the investments are redeemed, not on an annual basis.

The housing provider's auditor will be required to note all exceptions to GAAP in their financial statements.

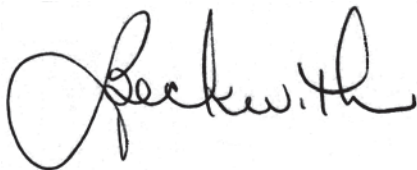
### **Service Manager's Role**

NRH will review the housing provider's annual audited financial statements to ensure compliance with this Notice.

### **Housing Provider's Role**

Housing provider staff are required to comply with this Notice and to forward a copy of this Notice to their auditors. Financial statements that have been completed and include the loss/gain in the statement of operations will be required to restate the non-profit corporation's financial statements in the current year's financial statements.

If you have any questions regarding this notice, please contact Donna Mino, Program Financial Analyst at (905) 682-9201 ext. 3943.

A handwritten signature in black ink that reads "Beckwith". The signature is written in a cursive style with a large, looping initial "B".

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Lora Beckwith, General Manager