

Please note:
If your program is not checked, this Program Instruction is not applicable to your project(s)

- Public Housing
- ✓ Provincial Reform Housing Programs
- Municipal Non-Profit Housing Programs
- Federal Unilateral Housing Programs
- Rent Supplement - Commercial
- Rent Supplement - OCHAP & CSHP
- Rent Supplement Homelessness

Subject **Exceptions to Generally Accepted Accounting Principles (GAAP) reporting for audited financial statements**

Authority s. 113 (6) & (7) of the *Social Housing Reform Act, 2000*

Summary Housing providers are required to submit audited financial statements with the Annual Information Return. Auditors are required to apply GAAP when preparing financial statements. However, provincial housing programs have historically required exceptions to GAAP reporting. The Region has adopted these exceptions for provincial reform housing providers.

Background The Ministry of Municipal Affairs and Housing historically required housing providers to deviate from GAAP when reporting capital assets, depreciation, and capital reserves. Housing Providers are to continue using these deviations for all financial statements submitted to the Region. Additional GAAP exceptions will be noted in future Program Instructions.

Procedure Housing providers are required to instruct their auditors to adopt the following deviations from GAAP when preparing financial statements.

Capital Assets

Land, buildings and equipment in the Corporation's portfolio shall include only the costs outlined in the approved Final Capital Cost (FCC). The total amount recorded as an asset must not exceed the amount of the related mortgage loans and contributed capital. Any subsequent capital purchases should not be recorded on the balance sheet as additions to capital assets.

Depreciation

The annual depreciation of the capital cost of land, buildings and equipment will equal the principal repaid on the related mortgage loans during the year. In determining principal repaid an accrual must be made for the amount of principal to be repaid on the first day following the Corporation's fiscal year end.

The net book value of the land, buildings and equipment at year end should equal the principal balance of the related mortgage loans.

Capital Reserve Funds

Capital expenditures must be charged to the capital reserve fund and not to the operating budget. Allocations to the capital reserve fund, expenses charged to the fund and interest earned must be reported in the Annual Information Return.

Action Required

Housing providers are required to ensure that their audited financial statements reflect the GAAP exceptions for capital assets, depreciation, capital reserve funds, etc.

Each housing provider should ensure that their auditor receives a copy of this Program Instruction.

Please contact your Program Co-ordinator if you have any questions.

Sylvia Patterson
Director
Housing and Residential Services Division
Community Services and Housing Department