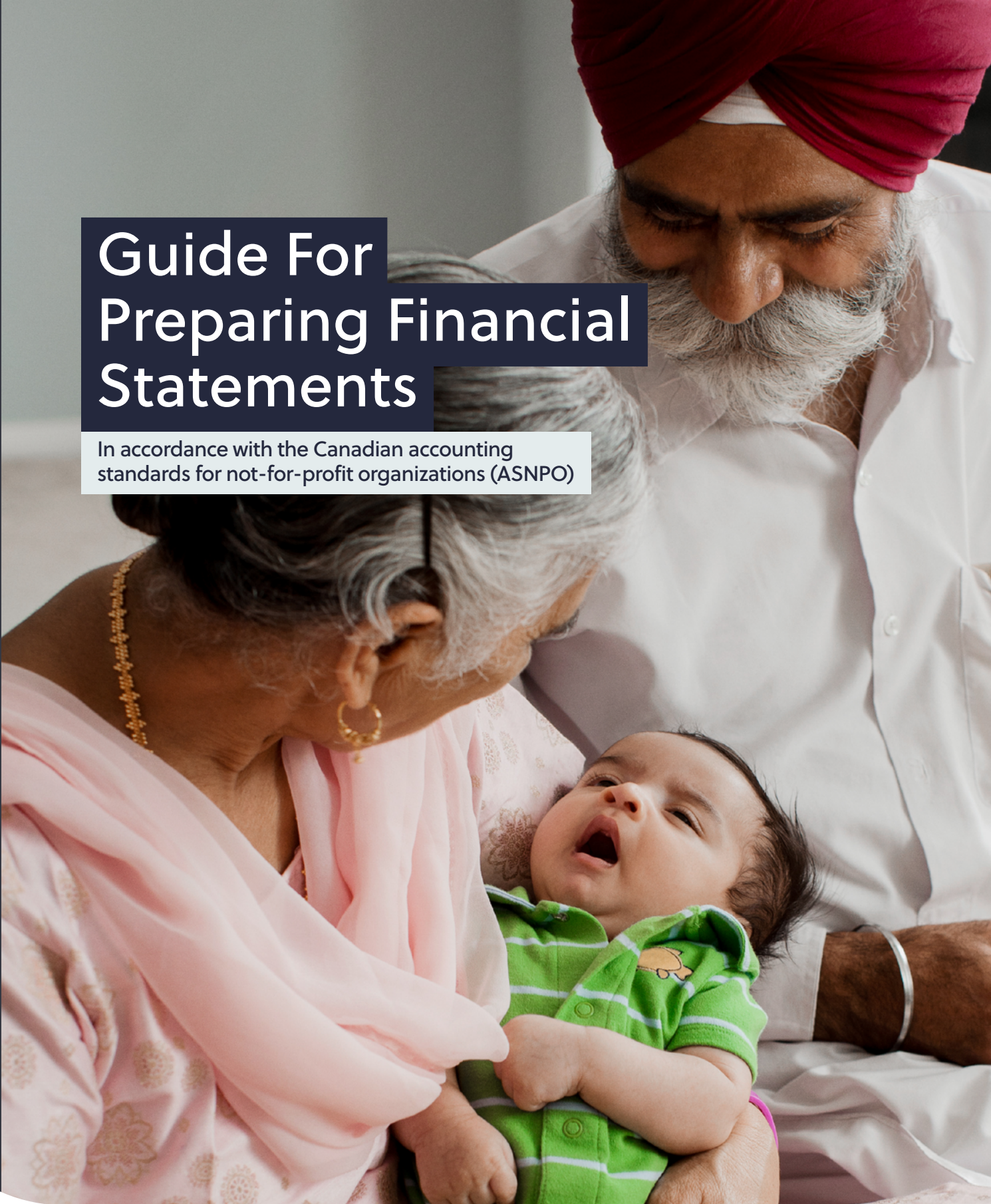


Guide For Preparing Financial Statements

In accordance with the Canadian accounting standards for not-for-profit organizations (ASNPO)



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Effective October 1st, 2024

This document is intended for organizations that are required to provide audited financial statements to CMHC annually in accordance with the FCHI-2 Agreement.

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1. Foreword

This document is intended for organizations that are required to provide audited financial statements to CMHC annually in accordance with the FCHI-2 Agreement. For more details on this program, see FCHI Phase 2 Reference Guide, available on [CMHC's website](#)¹.

The guide and templates came into effect on October 1st, 2024. Special attention should be paid to the following chapters:

- Chapter 3.1 Rental assistance
- Chapter 3.2 Temporary rental assistance period from April 1, 2021, to March 31, 2022
- Chapter 3.3.1 FCHI-2 interim period from April 1, 2022, to July 31, 2022
- Chapter 3.3.2 Additional interim assistance payment

¹ <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/federal-community-housing-initiative>

2. Instructions

Financial statement template and chart of accounts

The financial statements are required to be prepared in compliance with the Accounting Standards for Not-For-Profit Organizations (ASNPO).

Additionally, the financial statements and the annual report on the use of rental assistance must be prepared using attached templates and submitted to CMHC within four months following the end of the organization's fiscal year.

The financial statements must include the notes to the financial statements 1 to 19 (as applicable).

This guide, along with the accompanying templates, outlines the essential information that is generally applicable to most organizations that is also required by CMHC.

However, some organizations may need to include additional information to meet ASNPO requirements.

3. Federal assistance

In the same fiscal year, different agreements or specific periods may apply:

1. FCHI-2 Agreement:
September 1, 2020, to March 31, 2028
2. Temporary rental assistance:
April 1, 2021, to March 31, 2022 (Pre-2016)
3. Interim period until FCHI-2, or "Out of agreement": April 1, 2022, to July 31, 2022

Please note that federal assistance is not refundable during the Temporary Rental Assistance period and the Interim Assistance period. For more information on accounting for federal assistance, please refer to this guide and the CMHC financial statement template. The following sections specifically address the temporary rental assistance, interim assistance and the FCHI-2 agreement periods.

3.1 Federal Community Housing Initiative – Phase 2 (FCHI-2) Rental assistance

3.1.1 Rental assistance

Under the FCHI-2 program, federal assistance is provided at the start of the month, not the end. As a result, there is no longer any grant to be received at the end of the fiscal year.

Any rental assistance grant unused during a fiscal year is repayable to CMHC.

To facilitate the review of financial statements by program, the amount paid during the "FCHI-2 Rental Assistance" period should be reported under "**CMHC Grants – FCHI-2 Rental Assistance.**"

3.1.2 Transitional funding

The housing providers covered by this grant are those participating in the urban Indigenous housing programs, as well as those whose operating deficits are subsidized. Transitional funding will be provided for a period of twenty-four (24) months from the effective date of the FCHI-2 agreement.

The transitional funding complements the rental assistance component. The groups will receive the funding for the two components at the same time. Once the transitional funding has ended, the housing provider will continue to receive rental assistance until the end of the FCHI-2 agreement.

The payment frequency will be determined by CMHC following a review of the housing provider's needs.

The CMHC grant is reported in revenues on the "CMHC grants – Transitional Funding" line and must be explained in a note, following the sample provided in the CMHC financial statement template.

3.2 Temporary rental assistance period from April 1, 2021, to March 31, 2022 (Pre-2016)

This measure is intended for organizations that have expressed an interest in FCHI-2 and for which at least one agreement with CMHC “for one or more housing projects” expired before April 1, 2016. This is an exceptional measure offered to these housing providers.

The federal temporary rental assistance was disbursed in a single payment representing 12 months of assistance. Assistance covering needs from April 1, 2021, to March 31, 2022.

The federal assistance granted to these housing providers during the temporary rental assistance period is not repayable to CMHC.

To facilitate the analysis of financial statements based on each agreement, the amount paid during the temporary rental assistance period must be recorded under **Other revenues “CMHC grants – Temporary rental assistance”** in Appendix B.

It is important to note that the temporary rental assistance was paid in a single payment in 2021 (April, May or June 2021), representing 12 months of assistance for the period from April 1, 2021, to March 31, 2022, so this amount must be pro-rated, based on the end of the fiscal year.

Since this guide concerns, among other things, pre-2016 groups with a fiscal year ending on August 31, 2022 and later, we can distinguish two categories of pre-2016 groups to which the guide applies:

- Groups that joined FCHI-2 on August 1, 2022 (groups that received only temporary rental assistance and interim assistance before July 31, 2022);
- Groups that joined FCHI-2 before August 1, 2022, and whose Appendix B was amended on August 1, 2022, to include one or more pre-2016 housing projects. Before July 31, 2022, these groups received FCHI-2 rental assistance, temporary rental assistance and interim assistance. This means

that one or more housing projects were under an FCHI-2 agreement (repayable rental assistance) and, at the same time, other housing projects were under temporary rental assistance and interim assistance (non-repayable federal assistance).

3.3 Interim period until FCHI-2, or “Out of agreement”: April 1, 2022, to July 31, 2022 (Pre-2016)

3.3.1 Interim period until FCHI-2 from April 1, 2022, to July 31, 2022 (Pre-2016)

To avoid any interruption in funding for the period between the end of the temporary rental assistance and the FCHI-2 rental assistance program, the federal assistance was maintained for four months (April 1 to July 31, 2022), and disbursed in a single payment called interim federal assistance.

Federal assistance paid to these housing providers during the “interim” period is referred to as “interim federal assistance.” This assistance is considered “out of agreement” and is therefore not repayable to CMHC. Organizations that were declared ineligible during this period do not have to refund the amounts paid from April 1 to the date of the decision.

To facilitate the review of financial statements by program, the amount paid during the “interim” period should be reported under **Other revenues “CMHC grants – Interim period”** in Appendix B.

It is important to note that the interim assistance was disbursed in a single payment to cover needs from April 1 to July 31, 2022, so this amount must be pro-rated, based on the end of the fiscal year.

Since this guide concerns pre-2016 groups with a fiscal year ending on August 31, 2022, or later, we can distinguish two categories of pre-2016 groups on which the guide applies:

- Groups that joined FCHI-2 on August 1, 2022 (having received only temporary rental assistance and interim assistance);
- Groups that joined FCHI-2 before August 1, 2022, and whose appendix B was amended on August 1, 2022, to include one or more Pre-2016 housing

projects. As a result, before July 31, 2022, these groups received FCHI-2 rental assistance, temporary rental assistance and interim assistance. This means that one or more housing projects were under FCHI-2 (repayable rental assistance) and, at the same time, one or more housing projects were under temporary rental assistance and interim assistance (non-repayable federal assistance).

3.3.2 Additional interim assistance payment (pre-2016)

When the interim assistance was not sufficient to meet the needs for the period from April 1 to July 31, 2022, an additional interim assistance payment was made in August 2022 to cover the gap. This payment must be allocated to the interim period (from April 1 to July 31, 2022).

The additional interim assistance payment must be added to the interim assistance and reported in **Other revenues "CMHC grants – Interim period"** on the same line (see 3.3.1).

4. Information to be submitted to CMHC with the financial statements (annual report on the use of rental assistance)

The following table presents the sections of the report on the use of rental assistance that must be completed by the (unaudited) organization and appended to the financial statements.

Sections	FCHI-2
1. Occupancy profile	X
2. Members of the board of directors	X
3. Reconciliation of FCHI-2 rental assistance	X
3.1 Housing Provider Annual Declaration, FCHI-2	X
4. Three-year action plan/ Three-year action plan annual report	X

Information on the sections:

Section 1: This form indicates the utilities included in the rental amounts; CMHC uses this form to approve the calculations for the assistance used, particularly with regard to recognized utility allowances (heating and hot water) and the applicable charges for unrecognized utilities (e.g., electricity). This form contains important statistical information on the program beneficiary occupants, which must be reported by the housing providers. This form does not require a signature.

Section 2: This form provides information on the members of the board of directors, including names, duties and contact information. This section also specifies the name and contact information of the contact person for the FCHI-2 program and preferred correspondence method. This form does not require a signature.

Section 3: This section summarizes the rental assistance used by the housing provider. This form allows for the annual reconciliation of the rental assistance. It is important to report all the applicable fields (dwelling type, occupancy charge, discounts, allowances, etc.). The required signature on the annual certificate on Form 3.1.

Section 3.1: Annual FCHI-2 housing provider certification; **this section must be signed by one representative of the housing provider.**

Section 4: Three-year action plan or the three-year action plan annual report.

5. Information to be provided to the auditor

5.1 Audit requirements for organizations subsidized by CMHC

In accordance with their operating agreements, subsidized organizations must submit their audited financial statements to CMHC within four months of the end of their fiscal year.

5.2 Audit engagement on financial statements

The audit engagement on the financial statements of any organization subsidized by CMHC must be conducted in accordance with Canadian auditing standards.

The financial statements must be prepared in accordance with Part III of the CPA Canada Handbook (ASNFPO). The financial statements must be presented in the format defined by CMHC.

5.3 Auditor's management letter

The management letter includes only the deficiencies defined in CAS 265 of CPA Canada Handbook – Assurance identified during the audit of the financial statements and not covered by a special examination of the internal control of the entity and contains only the significant deficiencies communicated in writing to those charged with governance and management. The organization must provide a copy, if applicable, of any written communications concerning significant deficiencies in internal control.

If applicable, the auditor will attach a report prepared in accordance with Canadian Standard on Related Services 4460: "Reporting on Supplementary Matters Arising from an Audit or a Review Engagement."

5.4 Notes to financial statements

Using the "Notes to financial statements" section is not required. These notes can be provided in the auditor's own format. However, they are an integral part of the audited financial statements and must nevertheless contain at least the information provided in the CMHC template.