

Q&A

Questions and Answers about the Annual Information Return (AIR) for Housing Co-ops

What is the Annual Information Return (AIR)?

The Annual Information Return is the on-line form your auditor files on your behalf with the Agency for Co-operative Housing. Several back-up documents also form part of the AIR:

- Your audited, signed financial statements for the fiscal year
- The co-operative's representations, where the co-op answers questions about its operations
- The board certification, where the board confirms that the information given to the Agency is correct.

Section 95 co-ops also complete the ITA reconciliation. This is a report on how they used the income-tested assistance that came to them over the past year through the S95 program.

Why is an AIR needed?

The Agency developed an annual on-line information return to

- collect financial data to use in assessing co-ops' risk levels, and
- monitor co-ops' compliance with CMHC operating agreements.

The AIR restates the information in the audited financial statements in a standard electronic format. This allows the Agency to use automated tests to rate the financial health of each co-op client. We then share our findings with the co-op in various reports.

How does our co-op benefit from the AIR?

The AIR allows for a deeper analysis of co-operatives' operations. The Agency's automated testing of co-op data means more consistent information on financial risks. This information helps us identify co-ops that could miss a mortgage payment well before this happens. Early identification leads to quicker and less costly solutions. And co-ops generally want to hear about how well they are operating so that they know what areas, if any, they need to work on.

The Agency also provides co-op boards with reports based on a visual inspection of co-op properties every two years. (We arrange for these inspections at our own expense because we need good data about the condition of a co-op's property in order to assess its risk level.) While our inspection is not detailed enough to use in updating a reserve study, the report based on it will highlight any areas that need attention.

The AIR enables the Agency to compose reports comparing each co-op's results with those of other co-ops. These reports can help a co-op recognize, for example, how much it is investing in repairs and replacements compared with its peers. Over time, the Agency will be able to identify best practices and share them with all the co-ops we work with. This will make it possible for co-ops to learn from one another's successes.

Finally, the AIR allows the Agency to monitor operating-agreement compliance in a different way. As a result, co-ops no longer need to host routine client visits, saving staff and volunteers time and stress. The Agency visits co-op clients only as an invited guest or if concerns emerge through risk rating or compliance tests.

What Agency reports do co-ops get?

The Agency completes a series of reports after the AIR and all supporting documents have been filed and the Agency has confirmed that it is valid. The Agency sends each co-op a copy of the following reports with a letter of explanation. The reports are also posted in the password-protected area of the Agency's client website so that the co-op can view them in future years or share them with members in a paperless format.

Risk-Assessment Report: The Agency uses three main tests to assess a co-operative's level of risk. The first test is a physical-condition rating based on a visual property inspection of each co-op every other year (or every three years for co-operatives where the condition of the property was rated Excellent). The second and third tests make use of financial formulas applied to AIR data. These three tests give us a system-generated risk. This rating forms the basis of your co-op's composite risk assessment, but may be modified if your relationship manager has good reason to think it does not fit your co-op. A rating of Low or Moderate risk shows that your co-op has been operating well. A rating of Above-Average or High tells us that your co-op needs attention. Please see our Q&A on risk rating for more detail.

Compliance-Monitoring Report: A section of the AIR completed by the co-op and the auditor together (Co-operative's Representations) tells the Agency whether or not a co-op is complying with the terms of its CMHC agreement. The Agency sends the co-op a report pointing out anywhere it is falling short of its obligations and explaining how to correct the problem. Where a co-op is following its operating agreement and all program guidelines, the Agency sends a letter confirming this, in place of a report.

Comparative-Data Report: This report, created for each co-operative, assembles wide-ranging information about its performance. The report describes the co-op's results, compared with those of other co-ops. The report also shows a co-op's vacancy rate in contrast to the vacancy rate in the local rental market and in other co-operatives in the area.

Plain-Language Financials: The Agency develops this report annually for each client. The report restates the audited financial statements in a format that is easier to understand. It says what the co-op owes and owns, where its revenue came from and how it was spent, and how it has performed in each of the past five years. This report is not sent directly to the client, but posted on its password-protected section of the Agency's website.

Who files the AIR?

Your auditor files the AIR on line on your co-op's behalf and at your direction. There are two main reasons for this. First, the information gathered through the AIR is largely financial data your auditor is familiar with from the audit and knows how to place on the right lines on the form. Secondly, not all co-ops have an office, a computer and Internet access; all auditing firms do.

Won't this make our audit more costly?

The AIR filing does add something to your co-op's audit fee, but we minimize your auditor's data-entry time by filling in the AIR form in advance with whatever information we have. A Q&A for auditors on the AIR is available, as well as more specialized guidance. We have developed an on-line help feature for auditors and a detailed *Auditors' Guide to the AIR*. Auditors have also commended our AIR Help Desk. All these resources should make the AIR filing as efficient and affordable as possible.

How does our auditor file the AIR?

Your auditor files the AIR over the Internet. The Agency provides a unique username and password that allows your auditor access to a secure part of the Agency's website. If you

change auditors, be sure to let the Agency know.

What is the deadline for filing the AIR?

The AIR is due four months after the end of your fiscal year. This is the same as the deadline given in your CMHC operating agreement for sending in your audited financial statements.

Does the AIR replace the audited financial statements and auditor's management letter?

No. You still send your audited financial statements and the auditor's letter annually, along with the board certification. They go to the Agency office where your relationship manager works. When signed, these documents can be sent electronically in PDF format.

Do Section 95 co-ops still have to fill out an Annual Project Data Report (APDR)?

For Section 95 co-ops the Annual Project Data Report is largely replaced by the AIR and our income-tested assistance (ITA) reconciliation spreadsheet. The Agency has developed several versions of an easy-to-use Excel spreadsheet available on our website at www.agency.coop (On-line documents). By downloading it, filling it in and e-mailing it to us, you supply the Agency with a breakdown of the income-tested assistance your co-op used during the fiscal year. Co-ops may also create their own spreadsheet for reporting purposes, provided it includes the same information as the Agency's spreadsheet. No unit numbers or member names should be included in order to protect the privacy of your assisted members.

What if our financial statements have a different presentation than the AIR?

The audited financial statements belong to your co-op. It is up to you to decide on format and presentation. Often your auditor gives you advice on this issue. The Agency cannot require a specific format for your audited financial statements. However, after your first AIR has been filed, you may want to talk with your auditor about how your statements could harmonize better with the AIR.

Whom do I contact if I have questions?

If you have questions about the AIR, contact your co-op's relationship manager at the Agency.

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