

Horizon Housing Society

Financial Statements

March 31, 2016



June 13, 2016

Independent Auditor's Report

To the Directors of Horizon Housing Society

We have audited the accompanying financial statements of Horizon Housing Society, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

As discussed in note 2(e), the Society amortizes certain of its buildings and furniture and fixtures, which represented \$4,393,614 of the property and equipment cost as at March 31, 2016 (2015 – \$4,275,935), at a rate equal to the annual principal reduction of the related mortgages as specified under agreements with Canada Mortgage and Housing Corporation (“CMHC”), the financier of the mortgages and Alberta Seniors (“AS”). This constitutes a departure from accounting standards for not-for-profit organizations. In order to be consistent with the Society’s policy on buildings and furniture and fixtures not financed by CMHC, buildings would need to be amortized at a 4% declining balance and furniture and fixtures would need to be amortized on a 20% straight line. Based on a 4% declining balance method of depreciation for buildings and a 20% straight line method of depreciation for furniture and fixtures, amortization should be decreased and excess of revenue over expenditures should be increased for the current year by \$59,268 (2015 – \$28,905), property and equipment should be decreased by \$1,027,896 (2015 – \$1,071,065) and closing balance of fund balances should be decreased by \$1,027,896 in 2016 (2015 – \$1,071,065).

Our audit opinion on the financial statements for the year ended March 31, 2015 was modified accordingly because of the effects of this matter.

Qualified opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Horizon Housing Society as at March 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Horizon Housing Society

Statement of Financial Position

As at March 31, 2016

	2016 \$	2015 \$
Assets		
Current		
Cash	5,764,776	3,666,050
Restricted cash (note 3)	902,850	874,128
Short-term investment	429,392	179,467
Subsidy and miscellaneous receivables	75,023	59,494
Prepaid expenses	172,326	88,990
Due from Horizon West (note 9)	125,953	37,903
	<u>7,470,320</u>	<u>4,906,032</u>
Long-term investment	-	421,799
Intangible asset (note 6)	22,441	-
Property and equipment (note 5)	<u>31,203,250</u>	<u>32,052,343</u>
	<u>38,696,011</u>	<u>37,380,174</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	390,556	312,441
Accrued interest payable	26,755	28,340
Excess subsidies due to CMHC and AS (note 4)	45,402	17,218
Unearned revenue	29,240	26,918
Security deposits payable	171,567	165,931
Current portion of long-term debt (note 7)	368,713	1,656,633
	<u>1,032,233</u>	<u>2,207,481</u>
Long-term debt (note 7)	7,517,377	5,601,516
Deferred contributions (note 8)	<u>28,157</u>	<u>39,159</u>
	<u>8,577,767</u>	<u>7,848,156</u>
Fund balances		
Unrestricted	937,988	534,356
Invested in property and equipment (note 13c)	24,534,266	26,021,133
Internally restricted (note 12)	1,941,932	891,966
Externally restricted (notes 13a and 13b)	2,704,058	2,084,563
	<u>30,118,244</u>	<u>29,532,018</u>
	<u>38,696,011</u>	<u>37,380,174</u>

Commitments (note 17)

Approved by the Board of Directors

Signed

Wade Paget

Signed

Ian MacDonald

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

Horizon Housing Society

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2016

	General Fund \$	Capital Fund \$	New Growth Fund \$	2016 \$	2015 \$
Revenue					
Rental revenue	2,739,015	-	-	2,739,015	2,643,140
Subsidy revenues (note 14)	846,730	-	-	846,730	776,863
Donations and fundraising revenue	104,694	54,472	700,961	860,127	469,321
Forgiveness of debt	37,152	8,533	-	45,685	52,201
Other revenue	250,267	-	-	250,267	257,411
Interest	47,252	-	-	47,252	49,816
	4,025,110	63,005	700,961	4,789,076	4,248,752
Interest expense funded by CMHC	35,803	-	-	35,803	35,803
	4,060,913	63,005	700,961	4,824,879	4,284,555
Expenditures					
Amortization	-	1,102,987	-	1,102,987	1,093,939
Bad debts	18,134	-	-	18,134	19,946
Insurance	73,409	-	-	73,409	85,832
Interest on long-term debt	341,155	-	-	341,155	347,541
Office and administration	266,891	-	-	266,891	269,551
Property taxes	26,603	-	-	26,603	23,588
Repairs and replacements	565,043	-	-	565,043	560,725
Salaries and employee benefits	1,142,837	-	-	1,142,837	1,271,537
Utilities	469,843	-	-	469,843	494,303
Fundraising expenses	-	7,074	224,677	231,751	245,703
	2,903,915	1,110,061	224,677	4,238,653	4,412,665
Excess (deficiency) revenue over expenditures	1,156,998	(1,047,056)	476,284	586,226	(128,110)
Fund balances – Beginning of year	2,479,992	26,021,133	1,030,893	29,532,018	29,660,128
Interfund transfer – fixed asset additions	(128,521)	233,815	(105,294)	-	-
Interfund transfer – repayment of long-term debt	(332,297)	332,297	-	-	-
Interfund transfer proceeds from mortgage refinance	3,135	(1,005,923)	1,002,788	-	-
Interfund transfer – interest income	(19,981)	-	19,981	-	-
Fund balances – End of year	3,159,326	24,534,266	2,424,652	30,118,244	29,532,018

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

Horizon Housing Society

Statement of Cash Flows

For the year ended March 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year (general fund and new growth fund)	1,633,282	855,824
Items not affecting cash		
Amortization of mortgage fees	13,697	-
Amortization of deferred contributions (note 8)	(91,366)	(76,260)
Forgiveness of debt	(37,152)	(43,668)
	<u>1,518,461</u>	<u>735,896</u>
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	(15,529)	21,524
Prepaid expenses	(83,336)	(34,027)
Due from Horizon West	(88,050)	(14,288)
Accounts payable and accrued liabilities	78,115	12,090
Accrued interest payable	(1,585)	(719)
Excess subsidies due to CMHC and AS	28,184	(10,379)
Additions to deferred contributions (note 8)	80,364	94,227
Unearned revenue	2,322	9,148
Security deposits payable	5,636	1,140
Capital contributions received in new growth fund	(700,961)	(232,245)
	<u>823,621</u>	<u>582,367</u>
Financing activities		
Proceeds from mortgage refinance	1,005,923	-
Repayment of debt	(345,993)	(326,063)
Contributions restricted for capital assets	755,433	351,630
Event fundraising expenses	(7,074)	(38,205)
	<u>1,408,289</u>	<u>(12,638)</u>
Investing activities		
Purchase of investments	(7,593)	(186,925)
Redemption of matured investments	179,467	1,700,818
Purchase of property and equipment ¹	(173,721)	(100,437)
Addition to intangible assets	(22,630)	-
Addition to restricted cash	(108,707)	(31,722)
	<u>(133,184)</u>	<u>1,381,734</u>
Increase in cash	2,098,726	1,951,463
Cash – Beginning of year	3,666,050	1,714,587
Cash – End of year	5,764,776	3,666,050
Supplementary information		
Interest paid	342,740	348,260
Interest received	41,217	70,282

¹An additional \$79,985 (2015– \$36,316) of property and equipment was purchased with restricted cash.

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

Horizon Housing Society

Notes to Financial Statements

March 31, 2016

1 Basis of operations

Horizon Housing Society (the “Society”) was incorporated under the Societies Act of Alberta. The Society was granted charitable status in April 1998, which exempts the organization from being subject to income taxes under Section 149 (1)(f) of the Income Tax Act of Canada. The Society acquires land and buildings for the purpose of providing appropriate homes in an integrated environment for people with mental health challenges or other special needs.

2 Significant accounting policies

The financial statements of the Society have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (“ASNPO”) except for the specific policies and practices as outlined by Canada Mortgage and Housing Corporation (“CMHC”) and Alberta Seniors (“AS”), which require that properties are amortized at a rate equal to the annual principal reduction of the related mortgages. In this respect, these financial statements are not, and are not intended to be, in accordance with ASNPO.

a) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

b) Fund accounting

The Society follows the Restricted Fund Method for accounting for contributions. The Society maintains the following Funds:

- The General Fund contains the assets, liabilities, revenue and expenses related to the Society’s operating activities. This fund is comprised of both internally and externally restricted replacement and operating reserves (notes 12 and 13).
- The Capital Fund contains the assets, liabilities, revenue and expenses related to the Society’s property, plant and equipment.
- The New Growth Fund contains the assets, liabilities, revenues and expenses related to new initiatives of the Society. This fund is comprised of both internally and externally restricted building reserves (notes 12 and 13).

Horizon Housing Society

Notes to Financial Statements

March 31, 2016

c) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or if no restricted fund exists, they are recognized as revenue of the General Fund when the related expenditures are incurred. Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from rental of the properties, including subsidies is recognized in the period earned, on a pro-rata basis over the lease term in the General Fund.

d) Contributed assets, materials and services

Contributed assets are recorded at fair value at the date of contribution when fair value can be reasonably estimated. Contributed materials and services are recorded at fair value at the date of the donation only when the fair value can be reasonably estimated and when the materials and services are used in the normal course of the Society's operations and would otherwise have been purchased. The value of contributed assets, materials and services recognized in the financial statements in 2016 was \$nil (2015 – \$nil).

e) Property and equipment

Property and equipment that are under the agreement with CMHC and AS are recorded at cost, and buildings and furniture and fixtures are amortized at a rate equal to the annual principal reduction of the related mortgages as specified under agreements with CMHC and AS.

Capital improvements funded by Residential Rehabilitation Assistance Program loans are amortized on a 4% straight line basis.

Property and equipment that are not under the agreement with CMHC are recorded at cost and are amortized over their estimated useful life as follows:

Buildings	4% declining balance
Furniture and equipment	20% straight line
Computer equipment	33% straight line

f) Intangible asset

Intangible asset consists of costs to purchase and implement a property management software system and is recorded at cost less accumulated amortization. Amortization is recorded over the estimated useful life of ten years on a straight-line basis.

Horizon Housing Society

Notes to Financial Statements

March 31, 2016

g) Allocated expenditures

In the course of its operations, management allocates certain expenditures between Horizon Housing Society and Horizon West Housing Society ("HWHS") on the basis of its best estimates of the utilization of staff and services. The method of allocation is consistent with prior years.

h) Cash

Cash consists of cash on hand and bank balances.

i) Financial instruments

The Society initially measures financial assets and financial liabilities at their fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash, restricted cash, investments, subsidy, miscellaneous receivables, and due from Horizon West. The financial liabilities measured at amortized cost include accounts payable, interest payable, subsidies payable, securities deposit, accrued liabilities and long-term debt.

Investments consist of guaranteed investment certificates. The guaranteed investment certificates are cashable prior to their maturity date, subject to an interest penalty. Investments are carried at cost with accrued interest recognized directly in the statement of operations as investment income. Investments with maturity within one year have been classified as short-term investments.

3 Restricted cash

Restricted cash is comprised of the following:

	2016	2015
	\$	\$
Externally restricted replacement reserve	731,283	708,197
Tenant security deposits	171,567	165,931
	<u>902,850</u>	<u>874,128</u>

4 CMHC assistance and AS assistance

During the year, the Society obtained financial assistance from CMHC and AS, directly relating to certain properties that have operating agreements with these entities. In any year that the Society has revenue in excess of expenses relating to these certain properties, it may be asked to refund the excess on a project by project basis. Management estimates subsidies due to CMHC and AS with reference to formulae prescribed by the relevant funder. Subsidies payable at year end, include \$nil (2015 – \$nil) for Horizon 14 and \$45,402 (2015 – \$17,218) for Horizon Park. The estimated subsidy repayable is recorded against the subsidy revenue received during the year.

Horizon Housing Society

Notes to Financial Statements

March 31, 2016

5 Property and equipment

	2016		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	5,261,216	-	5,261,216
Building	36,023,524	10,149,435	25,874,089
Furniture and fixtures	186,409	127,100	59,309
Computer equipment	21,864	13,228	8,636
	<u>41,493,013</u>	<u>10,289,763</u>	<u>31,203,250</u>

	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	5,261,216	-	5,261,216
Building	35,769,822	9,062,403	26,707,419
Furniture and fixtures	186,404	118,547	67,857
Computer equipment	21,864	6,013	15,851
	<u>41,239,306</u>	<u>9,186,963</u>	<u>32,052,343</u>

Included in building are costs of \$149,478 (2015 – \$44,185) related to the Society's new developments which are not subject to amortization.

6 Intangible asset

	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Property management software	22,630	(189)	22,441
	<u>22,630</u>	<u>(189)</u>	<u>22,441</u>

Horizon Housing Society

Notes to Financial Statements

March 31, 2016

7 Long-term liabilities

A summary of the Society's outstanding liabilities are as follows:

a) Long-term debt

Property	Interest Rate	Mortgage held with	Monthly Instalment Amount (including interest) \$	Remaining Amortization period	Renewal Date	2016 \$	2015 \$
Horizon 14	9.88%	CMHC	14,826	12 years 5 months	September 2028	1,538,175	1,599,746
Albert House	1.62%	CMHC	840	11 years 10 months	March 2018	109,271	117,516
Keith House	1.12%	CMHC	494	13 years 8 months	February 2020	75,564	80,618
Horizon Park	1.67%	CMHC	8,589	2 years	April 2018	210,934	309,594
Miner House	2.84%	Royal Bank of Canada	1,409	5 years 8 months	July 2020	88,376	102,403
Horizon on 8 th	2.02%	Peoples Trust Company Canadian Mental Health Association	9,819	24 years 9 months	December 2020	2,295,560	1,272,213
Miner House	N/A – *		-	-	-	40,000	40,000
Heritage Gardens	3.37%	TD Bank	19,171	20 years 8 months	December 2021	3,437,740	3,551,502
						7,795,620	7,073,592
Transaction and financing fees						(48,404)	-
Less: Current portion, net of transactions and financing fees						(368,713)	(1,656,633)
						<u>7,378,503</u>	<u>5,416,959</u>

Long term debt amount due to Calgary Mental Health Association for Miner House is non – interest bearing with no repayment terms. If the amount was in default, then interest would accrue at 8%.

The following land and buildings have been pledged as collateral for the above loans and have a net book value of \$16,833,935 (2015 – \$17,145,004).

- Horizon 14
- Horizon Park
- Albert House
- Keith House
- Miner House
- Horizon on 8th
- Heritage Gardens

Horizon Housing Society

Notes to Financial Statements

March 31, 2016

Principal repayments required under the terms of the above mortgages and loans are as follows:

	\$
2017	380,813
2018	487,585
2019	306,732
2020	367,264
2021	2,253,645
Future years	<u>3,999,581</u>
	<u>7,795,620</u>

b) Forgivable loans

In the past, the Society completed repairs to Horizon Park, Horizon 14 and completed capital upgrades to Hamilton House, all of which were financed through Residential Rehabilitation Assistance Program and other forgivable loans as follows:

	<u>2016</u>		<u>2015</u>	
	Original loan \$	Forgiven in current year \$	Unforgiven balance \$	Unforgiven balance \$
Horizon Park	208,529	19,550	-	19,550
Horizon 14	162,000	10,800	29,700	40,500
Horizon 14	238,093	6,802	54,416	61,216
Hamilton House	128,000	8,533	54,758	63,291
	<u>736,622</u>	<u>45,685</u>	<u>138,874</u>	<u>184,557</u>

As long as the Society continues to rent the number of assisted rental units to tenants at or below the established income threshold, the loans will continue to be forgiven to maturity. If the Society increases the rent, sells or transfers the property during the period of the loans, CMHC must be informed immediately and a portion or the total outstanding balance of the loans including the unearned forgivable portion, plus interest, will become due and payable.

8 Deferred contributions

Deferred contributions represent externally restricted amounts received that have not yet been spent.

	<u>2016</u>	<u>2015</u>
	\$	\$
Beginning balance	39,159	41,484
Contributions received in the year	80,364	94,227
Contributions recognized in the year	<u>(91,366)</u>	<u>(96,552)</u>
Ending balance	<u>28,157</u>	<u>39,159</u>

Horizon Housing Society

Notes to Financial Statements

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9 Related party transactions

The Society and HWHS have the same Board of Directors and are under common management. HWHS was incorporated on March 25, 1998 under the Societies Act of Alberta and commenced operations on August 1, 1998. HWHS is a registered not-for-profit organization and is exempt from taxes under Section 149 (1)(l) of the Income Tax Act of Canada. HWHS acquires land and buildings for the purpose of providing appropriate homes in an integrated environment for people with mental health challenges or other special needs.

HWHS has not been consolidated in the Society's financial statements. The following is condensed financial information included in the financial statements of HWHS as at March 31, 2016. These statements were prepared using the same accounting policies as Horizon Housing Society.

	2016 \$	2015 \$
Financial position		
Total assets	1,430,140	1,393,452
Total liabilities	1,774,653	2,245,634
Total net deficiency	(344,513)	(852,182)
	1,430,140	1,393,452
Results of operations		
Revenue	1,554,761	1,334,913
Expenditures	1,047,092	849,723
Excess of revenue over expenditures	507,669	485,190
Cash flows		
Cash flows from operating activities	656,447	606,746
Cash flows from investing activity	(148,253)	(86,383)
Cash flows utilized in financing activities	(498,921)	(490,787)
Increase in cash	9,273	29,576

During the year ended March 31, 2016, HWHS was allocated \$314,955 (2015 – \$173,211) by the Society for office and administration and salary and benefits expenses. These charges were incurred in the normal course of operations, and have been recognized as reduction to the Society's expenses as follows:

	2016 \$	2015 \$
Salaries and benefits expense	243,291	135,941
Office and administration expense	71,664	37,270

The balances due from HWHS are non-interest bearing, unsecured and have no set terms of repayment.

Horizon Housing Society

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10 Goods and services tax

The Society is designated a municipality pursuant to subsection 259(1) of the Excise Tax Act in respect of its housing units in a housing project that are supplied to tenants on a rent-geared-to-income basis. As such, the Society is eligible for a 100% rebate of the GST for property and services that related to its municipal activities in respect of which tax became payable on or after February 1, 2004.

Goods and services tax (GST) is accounted for as follows:

a) Charitable portion

- One half of the GST paid (non-refundable portion) is recorded in the individual expense accounts where the original expenditure is recorded; and
- One half of the GST paid (refundable portion) is recorded in the GST recoverable amount and is included in subsidy and miscellaneous receivables for financial statement purposes.

b) Municipality portion

- All of the GST paid for the municipal portion may be claimed as an input tax credit.

11 Financial instruments

The Society holds various forms of financial instruments as disclosed in note 2. The nature of these instruments and its operations expose the Society to risks as follows:

Interest rate risk

The Society is exposed to interest rate risk through its fixed rate borrowings as the value of long-term debt will fluctuate as a result of changes in market rates. At March 31, 2016, the Society had fixed interest rates on its long-term obligations at effective rates of 1.12% – 9.88% (2015 – 1.12% to 9.88%). The Society also has non-interest bearing mortgage with interest calculated at 8% in the event of default.

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 Society does not consider that it is exposed to undue credit risk.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they become due. The Society's approach to managing liquidity risk is to ensure that it receives sufficient revenues to meet debt obligations. The Society has a \$300,000 line of credit available at monthly interest rate of prime plus 1% for general operating requirements. At year end the Society has utilized \$nil (March 31, 2015 – \$nil).

Horizon Housing Society

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12 Internally restricted fund balances

a) Replacement Reserve

Internally Restricted Replacement Reserve – A replacement reserve has been established by the Board of Directors to facilitate the repair or replacement of major building components as approved by the Board of Directors as follows:

	2016 \$	2015 \$
Balance – Beginning of the year	623,836	449,745
Internally restricted by the Board of Directors during the year	208,472	349,407
Capital expenditures and repairs and maintenance	(159,360)	(175,316)
Balance – End of year	<u>672,948</u>	<u>623,836</u>

b) Building Reserve

Internally Restricted Building Reserve – A building reserve has been established by the Board of Directors and is determined on the basis of revenues generated from non-funded activities. The reserve will be used to fund the building of new residential projects as determined by the Board of Directors.

	2016 \$	2015 \$
Balance – Beginning of year	23,644	591
Internally restricted by the Board of Directors during the year	1,022,769	23,053
Utilized	(26,507)	-
Balance – End of year	<u>1,019,906</u>	<u>23,644</u>

c) Operating Reserve

Internally Restricted Operating Reserve – An operating reserve has been established by the Board of Directors to provide a cushion against future unexpected cash flow shortages, expenses or losses.

	2016 \$	2015 \$
Balance – Beginning of year	244,486	240,112
Additions – Internally restricted by the Board of Directors	4,592	4,374
Balance – End of year	<u>249,078</u>	<u>244,486</u>
Total internally restricted fund balances	<u>1,941,932</u>	<u>891,966</u>

Horizon Housing Society

Notes to Financial Statements

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13 Externally restricted fund balances

a) Replacement reserve

Externally Restricted Replacement Reserve – Under agreements with CMHC and AS for certain specific properties, the Society is required to make annual contributions to a separate replacement reserve account. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC or AS. The funds in the accounts may only be used as approved by CMHC or by AS. Withdrawals are applied to interest first and then principal.

	2016	2015
	\$	\$
Balance – Beginning of the year	704,315	687,763
Additions during the year		
Horizon 14 – CMHC	85,000	70,000
Albert House – AS	5,000	5,000
Keith House – AS	2,000	2,000
Horizon Park – AS	25,200	25,200
Interest	4,894	6,457
Capital expenditures and repairs and maintenance	(124,773)	(92,105)
Balance – End of year	701,636	704,315

b) Building reserve

Externally Restricted Building Reserve – Represents amounts restricted by contributors to be used for particular building projects as follows:

	2016	2015
	\$	\$
Balance – Beginning of year	1,380,248	1,192,188
Additions	700,961	232,245
Utilized	(78,787)	(44,185)
Balance – End of year	2,002,422	1,380,248

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c) Invested in property and equipment

Invested in Property and equipment – Includes the following amounts restricted by contributors to be used for specific capital upgrades.

	2016 \$	2015 \$
Balance – Beginning of year	81,181	-
Additions	47,399	81,181
Utilized	(20,949)	-
Balance – End of year	<u>107,631</u>	<u>81,181</u>
Total externally restricted fund balances	<u>2,811,689</u>	<u>2,165,744</u>

14 Subsidy schedule

	2016 \$	2015 \$
Subsidy revenue		
Private landlord rent supplement (PLRS)	527,309	453,677
Alberta Seniors	162,266	173,022
CMHC – Section 95 Assistance	82,047	82,047
CMHC – Rent supplement	74,378	64,795
Other rent subsidies	730	3,322
	<u>846,730</u>	<u>776,863</u>

15 Statutory disclosures

As required under Section 7(2) of the Charitable Fundraising Act of Alberta, the Society discloses the following:

	\$
Remuneration to employees whose principle duties involve fundraising	55,068

16 Government Remittances

Government remittances consist of payroll withholding taxes required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances outstanding as at March 31, 2016, \$nil (2015 – \$ nil) is included within accounts payable and accrued liabilities.

Horizon Housing Society

Notes to Financial Statements

March 31, 2016

17 Commitments

Renovation and Retrofit Initiative

In 2010, the Society received government funding from CMHC for Renovation and Retrofit of \$186,032. The Society was required to register a collateral mortgage in favour of CMHC for the value of \$177,109.

As long as the Society continues to maintain its not-for-profit status and continues to own, operate, use and maintain the lands and premises to provide housing benefits to low and moderate-income households, for a period of at least 10 years it will not be in breach of the terms of the contribution agreement. Failure to comply with any of these conditions on or before January 19, 2020 would constitute a breach and the entire amount of the contribution would, at the option of the CMHC, be immediately due and payable.

Land lease

a) Bob Ward Residence

The land on which the Bob Ward Residence is located, is owned by the City of Calgary, who have provided it to the Society under a lease. The terms of the lease are that 20% of any annual surplus from the building is to be paid to the City of Calgary for the period between 2022 and 2027. The payment is due upon exercising the first renewal option in 2027.

b) Alice Bissett Place

The land on which the Alice Bissett building is located is owned by the City of Calgary, who have provided it to the Society under a lease. The term is 25 years from the commencement date of July 1, 2007. The renewal term is 5 years with 7 options to renew. A rental payment of \$10 per annum is payable on the commencement date and thereafter on each anniversary of the commencement date.

As a condition of the land lease, the building must only be used and occupied for affordable housing and not for any other purpose.

In addition, the Society must not substantially change the use of the building or mix of occupants of the building for a period of at least ten years from the date of the occupancy permit for the site.

18 Subsequent event

In May 2016, the Society entered into an office lease agreement for a term of five years with annual rent and tenant improvement payments of \$65,131 starting June 1, 2016. If the lease is not renewed at the end of the term, \$35,000 pertaining to tenant improvements is due and payable.

