

# **Horizon Housing Society**

Financial Statements

**March 31, 2015**



June 9, 2015

## **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, 2015 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 in our audit 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 as at March 31, 2015 \$4,275,935 (2014 – \$4,239,619) of the property and equipment cost, 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 expenditure should be increased for the current year by \$28,905 (2014 – \$13,746), property and equipment should be decreased by \$1,071,065 (2014 – \$1,100,204) and closing balance of fund balances should be decreased by \$1,071,065 in 2015 (2014 – \$1,100,204).

Our audit opinion on the financial statements for the year ended March 31, 2014 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, 2015 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 Accountants**

# Horizon Housing Society

## Statement of Financial Position

As at March 31, 2015

	2015 \$	2014 \$
<b>Assets</b>		
<b>Current</b>		
Cash	3,666,050	1,714,587
Restricted cash (note 3)	874,128	878,723
Short-term investment	179,467	1,700,818
Subsidy and miscellaneous receivables	59,494	81,018
Prepaid expenses	88,990	54,963
Due from Horizon West (note 8)	37,903	23,615
	<hr/> 4,906,032	<hr/> 4,453,724
<b>Long-term investment</b>	421,799	414,341
<b>Property and equipment</b> (note 5)	32,052,343	33,009,528
	<hr/> 37,380,174	<hr/> 37,877,593
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	312,441	300,351
Accrued interest payable	28,340	29,059
Excess subsidies due to CMHC and AS (note 4)	17,218	27,597
Unearned revenue	26,918	17,770
Security deposits payable	165,931	164,790
Current portion of long-term debt (note 6)	1,656,633	402,842
	<hr/> 2,207,481	<hr/> 942,409
<b>Long-term liabilities</b> (note 6)	5,601,516	7,233,571
<b>Deferred contributions</b> (note 7)	39,159	41,484
	<hr/> 7,848,156	<hr/> 8,217,464
<b>Fund balances</b>		
Unrestricted	534,356	527,187
Invested in property and equipment (note 12c)	26,021,133	26,562,542
Internally restricted (note 11)	891,966	690,448
Externally restricted (note 12a and 12b)	2,084,563	1,879,952
	<hr/> 29,532,018	<hr/> 29,660,129
	<hr/> 37,380,174	<hr/> 37,877,593

**Commitments** (note 16)

**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, 2015

	General Fund \$	Capital Fund \$	New Growth Fund \$	2015 \$	2014 \$
<b>Revenue</b>					
Rental revenue	2,643,140	-	-	2,643,140	2,503,676
Subsidy revenues (note 13)	776,863	-	-	776,863	847,680
Donations and fundraising revenue	97,399	139,677	232,245	469,321	140,765
Forgiveness of debt	43,668	8,533	-	52,201	52,201
Other revenue	257,411	-	-	257,411	247,332
Interest	49,816	-	-	49,816	52,279
	3,868,297	148,210	232,245	4,248,752	3,843,933
Interest expense funded by CMHC	35,803	-	-	35,803	35,803
	3,904,100	148,210	232,245	4,284,555	3,879,736
<b>Expenditures</b>					
Amortization	-	1,093,939	-	1,093,939	1,130,125
Bad debts	19,946	-	-	19,946	15,213
Insurance	85,832	-	-	85,832	82,335
Interest on long-term debt	347,541	-	-	347,541	359,182
Office and administration	269,551	-	-	269,551	243,442
Property taxes	23,588	-	-	23,588	18,882
Repairs and replacements	560,725	-	-	560,725	548,146
Salaries and employee benefits	1,271,537	-	-	1,271,537	1,117,360
Utilities	494,303	-	-	494,303	515,601
Fundraising expenses	-	38,205	207,498	245,703	155,082
	3,073,023	1,132,144	207,498	4,412,665	4,185,368
<b>Excess (deficiency) revenue over expenditures</b>	831,077	(983,934)	24,747	(128,110)	(305,632)
<b>Fund balances – Beginning of year</b>	2,070,308	26,562,542	1,027,278	29,660,128	29,965,761
Interfund transfer – fixed asset additions	(72,277)	116,462	(44,185)	-	-
Interfund transfer – repayment of long-term debt	(326,063)	326,063	-	-	-
Interfund transfer – interest income	(23,053)	-	23,053	-	-
<b>Fund balances – End of year</b>	2,479,992	26,021,133	1,030,893	29,532,018	29,660,129

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

# Horizon Housing Society

## Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$ (note 17)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year (general fund and new growth fund)	855,824	815,960
Items not affecting cash		
Amortization of deferred contributions (note 7)	(76,260)	
Forgiveness of debt	(43,668)	(43,668)
	<u>735,896</u>	<u>772,292</u>
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	21,524	(21,594)
Prepaid expenses	(34,027)	(7,972)
Due from Horizon West	(14,288)	(23,615)
Accounts payable and accrued liabilities	12,090	93,684
Accrued interest payable	(719)	(2,149)
Excess subsidies due to CMHC and AS	(10,379)	(41,745)
Additions to deferred contributions (note 7)	94,227	41,484
Unearned revenue	9,148	1,146
Security deposits payable	1,140	3,053
Capital contributions received in new growth fund	(232,245)	(106,806)
	<u>582,367</u>	<u>707,778</u>
<b>Financing activities</b>		
Repayment of long-term liabilities	(326,063)	(313,981)
Contributions restricted for capital assets	351,630	147,551
Event fundraising expenses	(38,205)	(40,745)
	<u>(12,638)</u>	<u>(207,175)</u>
<b>Investing activities</b>		
Purchase of investments	(186,925)	(2,115,159)
Redemption of matured investments	1,700,818	-
Purchase of property and equipment <sup>1</sup>	(100,437)	(34,871)
Decrease in restricted cash (note 17)	(31,722)	(97,568)
	<u>1,381,734</u>	<u>(2,247,598)</u>
<b>Increase (decrease) in cash</b>	<b>1,951,463</b>	<b>(1,746,995)</b>
<b>Cash – Beginning of year</b>	<b>1,714,587</b>	<b>3,461,582</b>
<b>Cash – End of year</b>	<b>3,666,050</b>	<b>1,714,587</b>
<b>Supplementary information</b>		
Interest paid	348,260	360,533
Interest received	70,282	25,535

<sup>1</sup> An additional \$36,316 (2014 – \$30,102) 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, 2015

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### 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 (note 11 and 12).
- 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 (note 11 and 12).

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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### 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, 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 assets, 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 2015 was \$nil (2014 – \$450).

### e) Property and equipment

Property and equipment that are under the agreement with CMHC 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.

Capital improvements funded by RRAP 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) Allocated expenditures

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

### g) Cash

Cash consists of cash on hand and bank balances.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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### h) 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, and miscellaneous receivables. 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:

	2015 \$	2014 \$
Externally restricted replacement reserve	708,197	713,933
Tenant security deposits (note 17)	165,931	164,790
	<hr/> 874,128	<hr/> 878,723

### 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 (2014 – \$nil) for Horizon 14 and \$17,218 (2014 – \$27,597) 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, 2015

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### 5 Property and equipment

	<b>2015</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
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
	<hr/> 41,239,306	<hr/> 9,186,963	<hr/> 32,052,343
	<b>2014</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	5,261,215	-	5,261,215
Building	35,654,934	7,983,048	27,671,886
Furniture and fixtures	186,409	109,982	76,427
	<hr/> 41,102,558	<hr/> 8,093,030	<hr/> 33,009,528

Included in property and equipment are costs of \$44,185 (2014 – \$nil) related to the Society’s new development which are not subject to amortization.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

### 6 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	2015 \$	2014 \$
Horizon 14	9.88%	CMHC	14,826	13 years 5 months	September 2028	1,599,746	1,655,653
Albert House	1.62%	CMHC	840	12 years 10 months	March 2018	117,516	125,626
Keith House	1.12%	CMHC	494	14 years 8 months	February 2020	80,618	85,076
Horizon Park	1.67%	CMHC	8,589	3 years	April 2018	309,594	406,618
Miner House	4.39%	Royal Bank of Canada Canada Mortgages Loans	1,480	6 years 2 months	July 2015	102,403	115,359
Horizon on 8 <sup>th</sup>	4.20%	Services Canadian Mental Health Association	7,758	20 years 3 months	June 2015	1,272,213	1,311,443
Miner House	N/A – *	Association	-	-	-	40,000	40,000
Heritage Gardens	3.37%	TD Bank	19,171	21 years 8 months	December 2021	3,551,502	3,659,880
<b>Less: Current portion</b>						<u>7,073,592</u>	<u>7,399,655</u>
						<u>1,656,633</u>	<u>402,842</u>
						<u>\$ 5,416,959</u>	<u>6,996,813</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 \$17,145,004 (2014 – \$17,599,092).

- Horizon 14
- Horizon Park
- Albert House
- Keith House
- Miner House
- Horizon on 8<sup>th</sup>
- Heritage Gardens

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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

	\$
2016	1,656,633
2017	293,697
2018	407,157
2019	207,094
2020	219,445
Future years	<u>4,289,566</u>
	<u>7,073,592</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>2015</u>		<u>2014</u>	
	Original loan \$	Forgiven in current year \$	Unforgiven balance \$	Unforgiven balance \$
Horizon Park	208,529	26,066	19,550	45,616
Horizon 14	162,000	10,800	40,500	51,300
Horizon 14	238,093	6,802	61,216	68,018
Hamilton House	128,000	8,533	63,291	71,824
	<u>736,622</u>	<u>52,201</u>	<u>184,557</u>	<u>236,758</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.

### 7 Deferred contributions

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Beginning balance	41,484	-
Contributions received in the year	94,227	41,484
Contributions recognized in the year	<u>(96,552)</u>	<u>-</u>
Ending balance	<u>39,159</u>	<u>41,484</u>

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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### 8 Related party transactions

The Society and Horizon West Housing Society (“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, 2015. These statements were prepared using the same accounting policies as Horizon Housing Society.

	2015 \$	2014 \$
<b>Financial position</b>		
<b>Total assets</b>	1,393,452	1,335,585
<b>Total liabilities</b>	2,245,634	2,672,958
<b>Total net deficiency</b>	(852,182)	(1,337,373)
	1,393,452	1,335,585
<b>Results of operations</b>		
Revenue	1,334,913	1,323,670
Expenditures	849,723	1,194,000
Excess of revenue over expenditures	485,190	129,670
<b>Cash flows</b>		
Cash flows from operating activities	606,746	521,549
Cash flows from investing activity	(86,383)	(128,083)
Cash flows utilized in financing activities	(490,787)	(484,327)
Increase (decrease) in cash	29,576	(90,861)

During the year ended March 31, 2015, HWHS was allocated \$173,211 (2014 – \$226,022) 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 follows:

	2015 \$	2014 \$
Salaries and benefits expense	135,941	59,593
Office and administration expense	37,270	169,429

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

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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### 9 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.

### 10 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, 2015, the Society had fixed interest rates on its long-term obligations at effective rates of 1.12% – 9.88% (2014 – 1.62% 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, 2014 – \$nil).

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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### 11 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:

	2015 \$	2014 \$
<b>Balance – Beginning of the year</b>	449,745	448,241
Internally restricted by the Board of Directors during the year	349,407	208,466
Capital expenditures and repairs and maintenance	(175,316)	(206,962)
<b>Balance – End of year</b>	<u>623,836</u>	<u>449,745</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.

	2015 \$	2014 \$
<b>Balance – Beginning of year</b>	591	591
Internally restricted by the Board of Directors during the year	23,053	-
<b>Balance – End of year</b>	<u>23,644</u>	<u>591</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.

	2015 \$	2014 \$
<b>Balance – Beginning of year</b>	240,112	238,632
Additions – Internally restricted by the Board of Directors	4,374	1480
Expended during the year	-	-
<b>Balance – End of year</b>	<u>244,486</u>	<u>240,112</u>
<b>Total internally restricted fund balances</b>	<u>891,966</u>	<u>690,448</u>

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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### 12 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.

	2015 \$	2014 \$
<b>Balance – Beginning of the year</b>	687,763	649,320
Additions during the year		
Horizon 14 – CMHC	70,000	70,000
Albert House – AS	5,000	5,000
Keith House – AS	2,000	2,000
Horizon Park – AS	25,200	25,200
Interest	6,457	6,722
Capital expenditures and repairs and maintenance	(92,105)	(69,497)
Other	-	(982)
<b>Balance – End of year</b>	<u>704,315</u>	<u>687,763</u>

#### b) Building reserve

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

	2015 \$	2014 \$
<b>Balance – Beginning of year</b>	1,192,188	1,085,383
Additions	232,245	106,806
Utilized	(44,185)	-
<b>Balance – End of year</b>	<u>1,380,248</u>	<u>1,192,189</u>

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2015

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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.

	2015 \$	2014 \$
<b>Balance – Beginning of year</b>	-	-
Additions	81,181	-
Utilized	-	-
<b>Balance – End of year</b>	<u>81,181</u>	<u>-</u>
<b>Total externally restricted fund balances</b>	<u>2,165,744</u>	<u>1,879,951</u>

### 13 Subsidy schedule

	2015 \$	2014 \$
<b>Subsidy revenue</b>		
Private landlord rent supplement (PLRS)	453,677	478,234
Alberta Seniors	173,022	175,627
CMHC – Section 95 Assistance	82,047	113,183
CMHC – Rent supplement	64,795	73,164
CMHA Rent subsidy	3,322	7,472
	<u>776,863</u>	<u>847,680</u>

### 14 Statutory disclosures

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

	2015 \$	2014 \$
Remuneration to employees whose principle duties involve fundraising	58,775	44,627

### 15 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, 2015, \$nil (2014 – \$15,498) is included within accounts payable and accrued liabilities.

# Horizon Housing Society

## Notes to Financial Statements

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### 16 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.

# Horizon Housing Society

## Notes to Financial Statements

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### 17 Comparatives

Certain comparative figures have been restated to conform to the current year's presentation. The cash flow statement has been revised for the following items:

- to present security deposits as restricted cash. For 2014, this resulted in an increase in investing outflows of \$2,853, a decrease in opening cash of \$161,937 and a decrease in closing cash of \$164,790.
- to reclassify contributions restricted for the purchase of capital assets as financing activities. For 2014, this resulted in a decrease in operating inflows of \$106,806 and an increase in financing outflows of \$106,806.
- to reclassify the receipt of deferred contributions as operating activities. For 2014, this resulted in an increase in operating inflows of \$41,484 and an increase in financing outflows of \$41,484.

