

# **Horizon Housing Society**

Financial Statements

**March 31, 2019**



## *Independent auditor's report*

To the Directors of Horizon Housing Society

---

### *Our qualified opinion*

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Horizon Housing Society (the Society) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **What we have audited**

The Society's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations and changes in fund balances;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

---

### *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, 2019 \$4,495,431 (2018 – \$4,495,431) 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 and Housing (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 amortization for buildings and a 20% straight-line method of amortization for furniture and fixtures, amortization should be decreased and excess of revenue over expenditures should be increased for the current year by \$58,584 (2018 – \$34,298), property and equipment should be decreased by \$913,510 (2018 – \$995,287) and closing balance of fund balances should be decreased by \$913,510 in 2019 (2018 – \$995,287).

Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the effects of this matter.

---

*PricewaterhouseCoopers LLP*  
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3  
T: +1 403 509 7500, F: +1 403 781 1825



We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### **Independence**

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

---

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not



detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
June 26, 2019

# Horizon Housing Society

## Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current</b>		
Cash	11,440,053	3,205,711
Restricted cash (note 3)	522,945	1,061,399
Short-term investment	300,000	300,000
Subsidy and miscellaneous receivables	69,540	196,142
Prepaid expenses	312,207	268,653
Due from Horizon West (note 9)	101,556	108,467
	<u>12,746,301</u>	<u>5,140,372</u>
<b>Intangible asset</b> (note 6)	17,258	19,665
<b>Property and equipment</b> (note 5)	<u>62,284,772</u>	<u>53,113,367</u>
	<u>75,048,331</u>	<u>58,273,404</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	706,612	2,322,140
Holdback payable	-	1,254,417
Accrued interest payable	-	24,351
Excess subsidies due to CMHC and AS (note 4)	-	-
Unearned revenue	128,165	117,851
Security deposits payable	250,516	182,014
Long-term debt (note 7)	476,752	415,826
	<u>1,562,045</u>	<u>4,316,599</u>
<b>Long-term debt</b> (note 7)	19,953,291	12,585,844
<b>Deferred contributions</b> (note 8)	<u>282,189</u>	<u>324,166</u>
	<u>21,797,525</u>	<u>17,226,609</u>
<b>Fund balances</b>		
Unrestricted	2,046,401	1,618,499
Invested in property and equipment (note 13(c))	41,788,125	36,665,948
Internally restricted (note 12)	2,293,475	1,405,469
Externally restricted (notes 13(a) and 13(b))	7,122,805	1,356,879
	<u>53,250,806</u>	<u>41,046,795</u>
	<u>75,048,331</u>	<u>58,273,404</u>
<b>Commitments</b> (note 17)		

### Approved by the Board of Directors

*Signed*

Wade Paget

*Signed*

Bryan Romanesky

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, 2019**

	General Fund \$	Capital Fund \$	Acquisition & Development Fund \$	2019 \$	2018 \$
<b>Revenue</b>					
Rental	3,019,739	-	-	3,019,739	2,821,290
Subsidy (note 14)	680,392	-	-	680,392	845,850
Grants, donations and fundraising	115,562	354,805	12,182,983	12,653,350	814,494
Forgiveness of debt	14,903	8,533	-	23,436	26,136
Other	292,329	-	-	292,329	254,092
Interest	93,951	-	60,299	154,250	64,500
	4,216,876	363,338	12,243,282	16,823,496	4,826,362
Interest expense funded by CMHC	35,803	-	-	35,803	35,803
	4,252,679	363,338	12,243,282	16,859,299	4,862,165
<b>Expenditures</b>					
Amortization	2,407	971,930	-	974,337	1,014,059
Bad debts	22,731	-	-	22,731	29,718
Insurance	91,124	-	-	91,124	88,487
Interest on long-term debt	338,804	-	-	338,804	308,586
Office and administration	251,161	-	159	251,320	379,992
Property taxes	37,870	-	-	37,870	36,896
Repairs and replacements	650,327	354,805	3,076	1,008,208	732,260
Salaries and employee benefits	1,116,098	-	56,437	1,172,535	1,168,205
Utilities	712,465	-	-	712,465	528,510
Fundraising expenses	42,807	-	3,087	45,894	258,651
	3,265,794	1,326,735	62,759	4,655,288	4,545,364
<b>Excess (deficiency) of revenue over expenditures</b>	986,885	(963,397)	12,180,523	12,204,011	316,801
<b>Fund balances – Beginning of year</b>	3,418,359	36,665,948	962,488	41,046,795	40,729,994
<b>Interfund transfer – fixed asset additions</b>	-	5,754,322	(5,754,322)	-	-
<b>Interfund transfer – repayment of long-term debt</b>	(331,252)	331,252	-	-	-
<b>Interfund transfer – internally restricted transfer</b>	(300,000)	-	300,000	-	-
<b>Interfund transfer – interest income</b>	(60,299)	-	60,299	-	-
<b>Fund balances – End of year</b>	3,713,693	41,788,125	7,748,988	53,250,806	41,046,795

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

# Horizon Housing Society

## Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year (General Fund and Acquisition & Development Fund)	13,167,408	1,251,248
Items not affecting cash		
Amortization of mortgage fees	12,101	12,101
Amortization of deferred contributions (note 8)	(51,977)	(75,829)
Forgiveness of debt	(14,903)	(17,603)
	<u>13,112,629</u>	<u>1,169,917</u>
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	126,602	(118,979)
Prepaid expenses	(43,554)	(16,146)
Due from Horizon West	6,911	18,303
Accounts payable and accrued liabilities	315,293	(86,138)
Accrued interest payable	(24,351)	(1,212)
Excess subsidies due to CMHC and AS	-	(10,571)
Additions to deferred contributions (note 8)	10,000	298,204
Unearned revenue	10,314	8,157
Security deposits payable	68,502	9,168
Amortization of intangible assets	2,407	-
Capital repairs and maintenance	(354,805)	-
Capital contributions received in Acquisition & Development Fund	(12,182,983)	(626,450)
	<u>1,046,965</u>	<u>644,253</u>
<b>Financing activities</b>		
Proceeds from development loans and construction financing	7,759,626	5,801,374
Repayment of debt	(319,917)	(399,882)
Contributions restricted for capital assets	12,537,788	697,529
	<u>19,977,497</u>	<u>6,099,021</u>
<b>Investing activities</b>		
Purchase of investments	(300,000)	(300,000)
Redemption of matured investments	300,000	300,000
Purchase of property and equipment <sup>1</sup>	(10,143,336)	(12,862,670)
Changes in accounts payable and accrued liabilities related to the construction of property and equipment	(1,930,821)	1,990,487
Changes in holdback payable	(1,254,417)	1,254,417
Addition to intangible assets	-	-
Decrease in (additions to) restricted cash	538,454	(118,158)
	<u>(12,790,120)</u>	<u>(9,735,924)</u>
<b>Increase (decrease) in cash during the year</b>	8,234,342	(2,992,650)
<b>Cash – Beginning of year</b>	<u>3,205,711</u>	<u>6,198,361</u>
<b>Cash – End of year</b>	<u>11,440,053</u>	<u>3,205,711</u>
<b>Supplementary information</b>		
Interest paid	327,915	297,697
Interest received	152,893	63,143

<sup>1</sup>An additional \$nil (2018 – \$16,157) 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, 2019

---

### 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 Society 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 affordable, integrated and supported homes. The Society serves tenants with a variety of vulnerabilities including people experiencing mental health challenges and 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 and Housing (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.

#### 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.

#### 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 comprises 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 and equipment.
- The Acquisition & Development Fund contains the assets, liabilities, revenues and expenses related to new initiatives of the Society. This fund comprises both internally and externally restricted building reserves (notes 12 and 13).

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 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.

### 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 2019 is \$nil (2018 – \$nil).

### 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 fixtures	20% straight line
Computer equipment	33% straight line

Interest costs related to the financing of the construction of property and equipment are capitalized until the assets are placed in service. Once the assets are in service, interest costs are amortized based on the estimated useful life of the corresponding assets.

### 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, 2019

---

### 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.

### Cash

Cash consists of cash on hand and bank balances.

### 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, security deposit payables, accrued liabilities and long-term debt.

Investments consist of guaranteed investment certificates. Investments are carried at cost with accrued interest recognized directly in the statement of operations and changes in fund balances as interest income. Investments with maturity within one year have been classified as short-term investments.

### 3 Restricted cash

Restricted cash comprises the following:

	2019 \$	2018 \$
Externally restricted replacement reserve	275,122	880,135
Tenant security deposits	247,823	181,264
	<u>522,945</u>	<u>1,061,399</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 (2018 – \$nil) for Horizon 14 and \$nil (2018 – \$nil) 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, 2019

---

### 5 Property and equipment

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	14,378,300	-	14,378,300
Building	61,015,218	13,160,899	47,854,319
Furniture and fixtures	186,409	134,256	52,153
Computer equipment	20,553	20,553	-
	<hr/> 75,600,480	13,315,708	<hr/> 62,284,772
			<b>2018</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	14,378,300	-	14,378,300
Building	50,871,837	12,191,235	38,680,602
Furniture and fixtures	186,409	131,944	54,465
Computer equipment	21,864	21,864	-
	<hr/> 65,458,410	12,345,043	<hr/> 53,113,367

Included in building are costs of \$24,512,625 (2018 – \$14,369,291) related to the construction of the Society's new developments which are not subject to amortization.

### 6 Intangible asset

	<b>2019</b>		<b>2018</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
Property management software	24,065	6,807	17,258
			<hr/> 19,665

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

### 7 Long-term liabilities

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

#### Long-term debt

Property	Interest rate	Mortgage held with	Monthly instalment amount (including interest) \$	Remaining amortization period	Renewal/maturity date	2019 \$	2018 \$
Horizon 14	9.88%	CMHC	14,826	19 years 11 months	September 2028	1,313,495	1,395,712
Albert House	2.51%	CMHC	877	8 years 10 months	February 2028	84,055	92,366
Keith House	1.12%	CMHC	494	10 years 8 months	February 2020	60,050	65,278
Horizon Park	1.67%	CMHC	-	-	-	-	8,603
Miner House	2.84%	Royal Bank of Canada	1,409	2 years 8 months	July 2020	43,312	58,759
Horizon on 8 <sup>th</sup>	2.02%	Peoples Trust Company Canadian Mental Health Association	9,819	21 years 9 months	December 2020	2,074,196	2,149,472
Miner House	N/A - *	Association	-	-	-	40,000	40,000
Heritage Gardens	3.37%	TD Bank	19,171	18 years 8 months	December 2021	3,075,412	3,200,246
						6,690,520	7,010,436
Transaction and financing fees						(12,101)	(24,200)
Less: Current portion, net of transactions and financing fees						<u>(376,752)</u>	<u>(315,826)</u>
						<u>6,301,667</u>	<u>6,670,410</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 \$14,833,071 (2018 – \$15,994,190).

- 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, 2019

---

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

	\$
2020	376,752
2021	2,263,302
2022	2,930,995
2023	126,863
2024	139,258
Future years	853,350
	<u>6,690,520</u>

### Forgivable loans

In the past, the Society completed repairs to Horizon Park and 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>2019</u>		<u>2018</u>	
	Original loan \$	Forgiven in current year \$	Unforgiven balance \$	Unforgiven balance \$
Horizon 14	162,000	8,100	-	8,100
Horizon 14	238,093	6,803	34,007	40,810
Hamilton House	128,000	8,533	29,157	37,690
	<u>528,093</u>	<u>23,436</u>	<u>63,164</u>	<u>86,600</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.

### Construction financing

The Society has a loan agreement with CMHC to finance the construction of the Society's new housing development in Glamorgan.

	<u>2019</u> \$	<u>2018</u> \$
Amount drawn	13,561,000	5,775,254
Accrued interest	-	26,120
	<u>13,561,000</u>	<u>5,801,374</u>

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

Loan draws are based upon costs incurred and costs to complete the project, up to a total loan amount of \$13,561,000. The loan bears an interest rate of 2.06% over a ten-year term maturing December 1, 2027. Only interest is due until certain milestones, based on the occupancy and stabilization of the development, are met. After this time, blended principal and interest payments are required based on a 30-year amortization period.

The land and buildings associated with this project have been pledged as collateral for this loan and have a net book value of \$32,332,248.

### Development loans

In 2017, the Society received loans of \$127,460 for the development of new housing projects. The loans are non-interest bearing and payable when the proposed housing project proceeds with a commitment for capital financing. Based on the affordability of the proposed project, up to 35% of the loan may be forgiven.

	\$
Current portion	100,000
Long-term portion	<u>27,460</u>
	<u>127,460</u>

## 8 Deferred contributions

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

	2019	2018
	\$	\$
Beginning balance	324,166	101,791
Contributions received in the year	10,000	298,204
Contributions recognized in the year	<u>(51,977)</u>	<u>(75,829)</u>
Ending balance	<u>282,189</u>	<u>324,166</u>

## 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, 2019. These statements were prepared using the same accounting policies as Horizon Housing Society.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

	2019 \$	2018 \$
Financial position		
Total assets	2,003,486	1,482,643
Total liabilities	621,160	850,102
Total fund balances (net deficiency)	1,382,326	632,541
	<u>2,003,486</u>	<u>1,482,643</u>
Results of operations		
Revenue	1,668,013	1,812,369
Expenditures	918,228	1,418,248
Excess of revenue over expenditures	<u>749,785</u>	<u>394,121</u>
Cash flows		
Cash flows from operating activities	408,267	625,844
Cash flows from investing activities	(209,850)	(391,175)
Cash flows utilized in financing activities	112,773	(230,990)
Increase in cash during the year	<u>311,190</u>	<u>3,679</u>

During the year ended March 31, 2019, HWHS was allocated \$480,808 (2018 – \$334,105) by the Society for office and administration and salaries and benefits expenses. These charges were incurred in the normal course of operations and have been recognized as a reduction to the Society's expenses as follows:

	2019 \$	2018 \$
Salaries and benefits expense	327,915	221,374
Office and administration expense	152,893	112,731

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

### 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.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

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 at the renewal of its fixed rate borrowings. At March 31, 2019, the Society had fixed interest rates on its long-term obligations at effective rates of 1.12% – 9.88% (2018 – 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 (2018 – \$nil).

## 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:

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

	2019 \$	2018 \$
Balance – Beginning of the year	647,721	643,185
Internally restricted by the Board of Directors during the year	271,000	215,264
Transfer from externally restricted replacement reserve	498,791	(210,728)
Capital expenditures	(246,555)	-
	<hr/>	<hr/>
Balance – End of year	1,170,957	647,721

### b) Acquisition and development reserve

*Internally restricted acquisition and development reserve* – a 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 acquisition and development of new residential projects as determined by the Board of Directors.

	2019 \$	2018 \$
Balance – Beginning of year	451,851	1,330,359
Internally restricted by the Board of Directors during the year	360,299	225,058
Utilized	-	(1,103,566)
	<hr/>	<hr/>
Balance – End of year	812,150	451,851

### 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.

	2019 \$	2018 \$
Balance – Beginning of year	305,897	302,266
Additions – internally restricted by the Board of Directors	4,471	3,631
	<hr/>	<hr/>
Balance – End of year	310,368	305,897
	<hr/>	<hr/>
Total internally restricted fund balances	2,293,475	1,405,469

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 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.

	2019 \$	2018 \$
Balance – Beginning of the year	846,242	782,873
Additions during the year		
Horizon 14 – CMHC	70,000	112,000
Albert House – AS	6,500	6,500
Keith House – AS	2,000	2,000
Horizon Park – AS	-	30,000
Interest	7,058	9,617
Transfer to internally restricted replacement reserve	(498,791)	-
Capital expenditures and repairs and maintenance	(247,042)	(96,748)
	<hr/>	<hr/>
Balance – End of year	185,967	846,242

#### b) Acquisition and development reserve

*Externally restricted acquisition and development reserve* – represents amounts restricted by contributors to be used for particular building projects as follows:

	2019 \$	2018 \$
Balance – Beginning of year	510,637	2,323,439
Additions	12,180,523	626,450
Utilized	(5,754,322)	(2,439,252)
	<hr/>	<hr/>
Balance – End of year	6,936,838	510,637

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 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.

	2019 \$	2018 \$
Balance – Beginning of year	34,021	-
Additions	354,805	71,079
Utilized	(354,805)	(37,058)
	<hr/>	<hr/>
Balance – End of year	34,021	34,021
	<hr/>	<hr/>

### 14 Subsidy schedule

	2019 \$	2018 \$
Subsidy revenue		
Private landlord rent supplement (PLRS)	520,391	500,137
Alberta Seniors and Housing	-	185,848
CMHC – Section 95 assistance	82,707	82,047
CMHC – rent supplement	77,294	76,978
Other rent subsidies	-	840
	<hr/>	<hr/>
	680,392	845,850
	<hr/>	<hr/>

### 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	-

### 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, 2019, \$nil (2018 – \$nil) is included within accounts payable and accrued liabilities.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 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 ten 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 leases

- **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.

- **Alice Bissett Place**

The land on which the Alice Bissett Place 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 five years with seven 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

March 31, 2019

---

### Administrative leases

The Society is required to make the following payments under certain office space and equipment lease agreements.

	\$
2020	95,497
2021	129,169
2022	21,506
2023	-
	<hr/>
	246,172
	<hr/>