

# **Horizon West Housing Society**

Financial Statements  
**March 31, 2019**



## *Independent auditor's report*

To the Directors of Horizon West 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 West 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 for the year then ended;
- 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 \$6,225,221 (2018 – \$6,225,221) 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. This constitutes a departure from Canadian 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 increased by \$80,163 in 2019 (2018 – increase of \$424,634) and excess of revenue over expenditures should be decreased for the current year by \$80,163 (2018 – decrease of \$424,634), property and equipment should be increased by \$1,278,371 (2018 – \$1,988,983) and the closing balance of fund balances should be increased by \$1,278,371 in 2019 (2018 – \$1,988,983).

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 West Housing Society

## Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current</b>		
Cash	441,784	130,594
Restricted cash (note 3)	491,926	225,442
Subsidy and miscellaneous receivables	22,119	23,770
Prepaid expenses	17,339	15,885
Short-term investment	-	56,634
	<u>973,168</u>	<u>452,325</u>
<b>Property and equipment</b> (note 5)	<u>1,030,318</u>	<u>1,030,318</u>
	<u>2,003,486</u>	<u>1,482,643</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	46,384	119,980
Accrued interest payable	-	1,132
Due to Horizon Housing Society (note 8)	101,556	108,467
Unearned revenue	28,728	76,105
Security deposits payable	71,862	67,973
Current portion of long-term debt (note 6)	66,809	97,471
	<u>315,339</u>	<u>471,128</u>
<b>Long-term debt</b> (note 6)	251,821	318,660
<b>Deferred contributions</b> (note 7)	<u>54,000</u>	<u>60,314</u>
	<u>621,160</u>	<u>850,102</u>
<b>Fund balances</b>		
Unrestricted	254,085	(103,929)
Invested in property and equipment	921,963	614,188
Externally restricted (note 11)	206,278	122,282
	<u>1,382,326</u>	<u>632,541</u>
	<u>2,003,486</u>	<u>1,482,643</u>
<b>Commitments</b> (note 13)		

### Approved by the Board of Directors

*Signed*

Wade Paget

*Signed*

Bryan Romanesky

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

# Horizon West Housing Society

## Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2019

	General Fund \$	Capital Fund \$	2019 \$	2018 \$
<b>Revenue</b>				
Rental	721,669	-	721,669	704,043
Subsidy and grant (note 12)	589,443	210,274	799,717	967,519
Other	135,934	-	135,934	134,476
Interest	10,693	-	10,693	6,331
	<u>1,457,739</u>	<u>210,274</u>	<u>1,668,013</u>	<u>1,812,369</u>
<b>Expenditures</b>				
Amortization	-	-	-	498,738
Bad debts	8,859	-	8,859	20,015
Insurance	23,275	-	23,275	10,608
Interest on long-term debt	7,960	-	7,960	16,181
Office and administration	121,976	-	121,976	127,926
Property taxes	10,118	-	10,118	12,371
Repairs and replacements	158,907	-	158,907	170,060
Salaries and employee benefits	403,918	-	403,918	399,845
Utilities	183,215	-	183,215	162,504
	<u>918,228</u>	<u>-</u>	<u>918,228</u>	<u>1,418,248</u>
<b>Excess (deficiency) of revenue over expenditures</b>	539,511	210,274	749,785	394,121
<b>Fund balances – Beginning of year</b>	18,353	614,188	632,541	238,420
<b>Interfund transfer – repayment of long-term debt</b>	(97,501)	97,501	-	-
<b>Fund balances – End of year</b>	<u>460,363</u>	<u>921,963</u>	<u>1,382,326</u>	<u>632,541</u>

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

# Horizon West 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)	539,511	596,562
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	1,651	(326)
Prepaid expenses	(1,454)	(1,528)
Accounts payable and accrued liabilities	(73,596)	42,730
Accrued interest payable	(1,132)	(854)
Due to Horizon Housing Society	(6,911)	(18,303)
Unearned revenue	(47,377)	(2,342)
Security deposits payable	3,889	3,591
Recognition of deferred contributions (note 7)	(6,314)	6,314
	<hr/> 408,267	<hr/> 625,844
<b>Financing activities</b>		
Repayment of long-term liabilities	(97,501)	(527,287)
Contributions restricted for capital assets	210,274	296,297
	<hr/> 112,773	<hr/> (230,990)
<b>Investing activities</b>		
Redemption of short-term investment	56,634	55,742
Purchase of short-term investment	-	(56,634)
Purchase of property and equipment	-	(264,242)
Addition to restricted cash	(266,484)	(126,041)
	<hr/> (209,850)	<hr/> (391,175)
<b>Increase in cash during the year</b>	311,190	3,679
<b>Cash – Beginning of year</b>	<hr/> 130,594	<hr/> 126,915
<b>Cash – End of year</b>	<hr/> 441,784	<hr/> 130,594
<b>Supplementary information</b>		
Interest paid	7,960	17,035
Interest received	6,222	6,414

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

# Horizon West Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 1 Basis of operations

Horizon West Housing Society (the Society) was incorporated on March 25, 1998 under the Societies Act of Alberta and commenced operations on August 1, 1998. The Society is registered as a not-for-profit organization and is exempt from income taxes under Section 149 (1) (i) 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 Summary of 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), which require that properties be 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 (note 11).
- The Capital Fund contains the assets, liabilities, revenue and expenses related to the Society's property and equipment.

#### Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or if no restricted fund exists, they are recognized in 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.

# Horizon West Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 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 was \$nil (2018 – \$nil).

### 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

### 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.

### 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 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 and accrued liabilities, accrued interest payable, due to Horizon Housing Society, security deposits payable 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 as interest income. Investments with maturity within one year have been classified as short-term investments.

# Horizon West Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 3 Restricted cash

Restricted cash comprises the following:

	2019 \$	2018 \$
Externally Restricted Replacement Reserve (note 11)	420,064	157,462
Tenant security deposits	71,862	67,980
	<u>491,926</u>	<u>225,442</u>

### 4 CMHC assistance

During the year, the Society obtained financial assistance from CMHC. In any year that the Society has revenue in excess of expenses, in a specific CMHC funded project, it may be asked to refund the excess on a project by project basis. Management estimates the subsidy due to CMHC by reference to formulae prescribed by CMHC. Subsidy payable at year-end is \$nil (2018 – \$nil). The estimated subsidy repayable is recorded against the subsidy revenue received during the year. Surplus funds from prior years that the Society was not required to refund, along with any accumulated interest, are held or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation.

### 5 Property and equipment

	<u>2019</u>		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,030,318	-	1,030,318
Building	6,174,422	6,174,422	-
Furniture and fixtures	50,799	50,799	-
	<u>7,255,539</u>	<u>6,225,221</u>	<u>1,030,318</u>
	<u>2018</u>		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,030,318	-	1,030,318
Building	6,174,422	6,174,422	-
Furniture and fixtures	50,799	50,799	-
	<u>7,255,539</u>	<u>6,225,221</u>	<u>1,030,318</u>

# Horizon West Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 6 Long-term debt

	2019 \$	2018 \$
0.91% first mortgage due to CMHC, payable in equal monthly instalments of \$39,622, including interest. Mortgage matured in April 2018.	-	39,598
2.51% CMHC mortgage, repayable in equal monthly instalments of \$1,793, including interest. Mortgage matures in April 2024. Amortization period remaining is five years.	102,626	121,275
2.51% CMHC mortgage, repayable in equal monthly instalments of \$3,774, including interest. Mortgage matures in April 2024. Amortization period remaining is five years.	216,004	255,258
	<hr/>	<hr/>
	318,630	416,131
Less: Current portion	66,809	97,471
	<hr/>	<hr/>
	251,821	318,660
	<hr/>	<hr/>

The land and buildings are pledged as collateral for all mortgages and have a carrying value of \$1,030,318 (2018 – \$1,030,318).

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

	\$
2020	66,809
2021	66,809
2022	66,809
2023	66,809
Future years	51,394
	<hr/>
	318,630
	<hr/>

### 7 Deferred contributions

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

	2019 \$	2018 \$
Balance – Beginning of year	60,314	54,000
Contributions received in the year	-	6,314
Contributions recognized in the year	(6,314)	-
	<hr/>	<hr/>
Balance – End of year	54,000	60,314
	<hr/>	<hr/>

# Horizon West Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 8 Related party transactions

The Society and Horizon Housing Society (HHS) have the same Board of Directors and are under common management. HHS is a registered charity incorporated under the Society's Act of Alberta and is exempt from income taxes under Section 149(1) (f) of the Income Tax Act of Canada. HHS 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.

HHS has not been consolidated in the Society's financial statements. The following is condensed financial information included in the financial statements of HHS as at March 31, 2019. These statements were prepared using the same accounting policies as the Society.

	2019 \$	2018 \$
Financial position		
Total assets	75,048,331	58,273,404
Total liabilities	21,797,525	17,226,609
Total fund balances	53,250,806	41,046,795
	<u>75,048,331</u>	<u>58,273,404</u>
Results of operations		
Revenue	16,859,299	4,862,165
Expenditures	4,655,288	4,545,364
Excess of revenue over expenditures	<u>12,204,011</u>	<u>316,801</u>
Cash flows		
Cash flows from operating activities	1,046,965	644,253
Cash flows from investing activities	(12,790,120)	(9,735,924)
Cash flows from financing activities	19,977,497	6,099,021
Increase (decrease) in cash during the year	<u>8,234,342</u>	<u>(2,992,650)</u>

During the year ended March 31, 2019, the Society was allocated \$480,808 (2018 – \$334,105) by HHS for office and administration and salaries and benefits expenses.

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

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

# Horizon West Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 9 Goods and services tax

The Society is designated as a municipality pursuant to subsection 259(1) of the Excise Tax Act, entitling it to a rebate of 100% of goods and services tax (GST) paid on property and services used to supply residential units on rent-gear-to-income basis. GST is accounted for in accordance with the guidelines issued by CMHC, so the GST paid (the refundable portion) is recorded in the GST recoverable account and is included in the subsidy and miscellaneous receivable balance for financial statement purposes.

### 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 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 2.51% (2018 – 2.51%).

#### Credit risk

Credit risk is the risk that one party 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.

### 11 Externally restricted fund balances

*Externally Restricted Replacement Reserve* – Under agreements with CMHC, 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. The funds in the accounts may only be used as approved by CMHC. Withdrawals are applied to interest first and then principal.

	2019 \$	2018 \$
Balance – Beginning of the year	122,282	210,774
Additions	150,000	150,000
Interest	4,471	3,449
Capital expenditures and repairs and maintenance	(70,475)	(241,941)
Balance – End of year	<u>206,278</u>	<u>122,282</u>

# Horizon West Housing Society

## Notes to Financial Statements

March 31, 2019

---

### 12 Subsidy and grant schedule

	2019 \$	2018 \$
Subsidy and grant revenue		
Private landlord rent supplement (PLRS)	576,226	586,763
Capital grants	210,274	296,297
CMHC – Section 95 assistance	-	77,737
Other grants and subsidies	13,217	6,722
	<hr/> 799,717	<hr/> 967,519

### 13 Commitments

In 2010, the Society received a grant from government funding from CMHC for Renovation and Retrofit of \$426,494. The Society was required to register a collateral mortgage in favour of CMHC for the value of the funds received.

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.

### 14 Government remittances

Government remittances consist of sales taxes and 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.