

Horizon West Housing Society

Financial Statements
March 31, 2020



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, 2020 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, 2020;
- 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 3, the Society amortizes certain of its properties, which represented, as at March 31, 2020, \$6,225,221 (2019 – \$6,225,221) of the capital asset 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 (ASNPO).

In order to be compliant with ASNPO and to be consistent with the Society's policy on amortization of properties not financed by CMHC, properties would need to be amortized over their estimated useful life. Had the amortization of the properties financed by CMHC been calculated based on the useful life of the properties, amortization and excess of revenue (deficiency) over expenditures for the year ended March 31, 2020 should be increased and decreased respectively by \$233,483 (2019 – \$80,163), capital assets and fund balances as at March 31, 2020 should be increased by \$1,675,337 (2019 – \$1,908,820) and the fund balances as at April 1, 2019 should be increased by \$1,908,820 (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.

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.

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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 24, 2020

Horizon West Housing Society

Statement of Financial Position

As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current		
Cash	820,290	441,784
Restricted cash (note 4)	608,094	491,926
Subsidy and miscellaneous receivables	13,622	22,119
Prepaid expenses	835	17,339
	<u>1,442,841</u>	<u>973,168</u>
Capital assets (note 5)	<u>1,030,318</u>	<u>1,030,318</u>
	<u>2,473,159</u>	<u>2,003,486</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	44,141	46,384
Due to Horizon Housing Society (note 8)	83,803	101,556
Unearned revenue	21,824	28,728
Security deposits payable	73,774	71,862
Current portion of long-term debt (note 6)	62,873	66,809
	<u>286,415</u>	<u>315,339</u>
Long-term debt (note 6)	196,227	251,821
Deferred contributions (note 7)	<u>54,000</u>	<u>54,000</u>
	<u>536,642</u>	<u>621,160</u>
Fund balances		
Unrestricted	630,499	254,085
Invested in capital assets	981,494	921,963
Internally restricted (note 11)	324,524	206,278
	<u>1,936,517</u>	<u>1,382,326</u>
	<u>2,473,159</u>	<u>2,003,486</u>

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, 2020

	General Fund \$	Capital Fund \$	2020 \$	2019 \$
Revenue				
Rental	734,261	-	734,261	721,669
Subsidy and grant (note 12)	571,164	-	571,164	799,717
Other	161,704	-	161,704	135,934
Interest	10,109	-	10,109	10,693
	<u>1,477,238</u>	<u>-</u>	<u>1,477,238</u>	<u>1,668,013</u>
Expenditures				
Bad debts	11,377	-	11,377	8,859
Fundraising expense	8,636	-	8,636	3,094
Insurance	25,475	-	25,475	23,275
Interest on long-term debt	7,278	-	7,278	7,960
Office and administration	129,073	-	129,073	118,882
Property taxes	8,034	-	8,034	10,118
Repairs and replacements	153,708	-	153,708	158,907
Salaries and employee benefits	391,531	-	391,531	403,918
Utilities	187,935	-	187,935	183,215
	<u>923,047</u>	<u>-</u>	<u>923,047</u>	<u>918,228</u>
Excess of revenue over expenditures	554,191	-	554,191	749,785
Fund balances – Beginning of year	460,363	921,963	1,382,326	632,541
Interfund transfer – repayment of long-term debt	(59,531)	59,531	-	-
Fund balances – End of year	<u>955,023</u>	<u>981,494</u>	<u>1,936,517</u>	<u>1,382,326</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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year (General Fund)	554,191	539,511
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	8,497	1,651
Prepaid expenses	16,504	(1,454)
Accounts payable and accrued liabilities	(2,243)	(73,596)
Accrued interest payable	-	(1,132)
Due to Horizon Housing Society	(17,753)	(6,911)
Unearned revenue	(6,904)	(47,377)
Security deposits payable	1,912	3,889
Recognition of deferred contributions (note 7)	-	(6,314)
	<hr/> 554,204	<hr/> 408,267
Financing activities		
Repayment of long-term liabilities	(59,530)	(97,501)
Contributions restricted for capital assets	-	210,274
	<hr/> (59,530)	<hr/> 112,773
Investing activities		
Redemption of short-term investment	-	56,634
Addition to restricted cash	(116,168)	(266,484)
	<hr/> (116,168)	<hr/> (209,850)
Increase in cash during the year	378,506	311,190
Cash – Beginning of year	<hr/> 441,784	<hr/> 130,594
Cash – End of year	<hr/> <hr/> 820,290	<hr/> <hr/> 441,784
Supplementary information		
Interest paid	7,278	7,960
Interest received	10,109	6,222

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

Horizon West Housing Society

Notes to Financial Statements

March 31, 2020

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 Change in accounting policy

Effective April 1, 2019, Horizon Housing adopted the new standards of the Chartered Professional Accountants (CPA) Handbook, Part III – Accounting for Not-for-Profit Organizations (ASNPO), Section 4433 (Tangible Capital Assets Held by Not-for-Profit Organizations).

Tangible capital assets

The adoption of Section 4433 – Tangible Capital Assets Held by Not-for-Profit Organizations resulted in a change to the Society’s accounting policies with respect to componentization and amortization of tangible capital assets. The cost of tangible capital assets made up of significant separable component parts is now allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

In accordance with transitional provisions in Section 4433, the cost and related accumulated amortization of those tangible capital assets identified as having significant separable components were allocated to their component parts as of April 1, 2019, based on the proportional value of their original cost at the date the assets were acquired. Estimates of the useful lives of the components were made and applied on a prospective basis.

In accordance with Section 4433, the Society’s accounting policies with respect to “impairment of long-lived assets” has also been revised.

3 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

Horizon West Housing Society

Notes to Financial Statements

March 31, 2020

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 capital assets.

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.

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 2020 was \$nil (2019 – \$nil).

Capital assets

Capital assets 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.

Capital assets 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

Horizon West Housing Society

Notes to Financial Statements

March 31, 2020

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. Restricted cash is held for replacement reserves and tenant security deposits (note 4).

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.

4 Restricted cash

Restricted cash comprises the following:

	2020	2019
	\$	\$
Internally Restricted Replacement Reserve (note 11)	534,023	420,064
Tenant security deposits	74,071	71,862
	<hr/>	<hr/>
	608,094	491,926
	<hr/>	<hr/>

Horizon West Housing Society

Notes to Financial Statements

March 31, 2020

5 Capital assets

	2020		
	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>

	2019		
	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>

6 Long-term debt

	2020 \$	2019 \$
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.	83,454	102,626
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.	<u>175,646</u>	<u>216,004</u>
	259,100	318,630
Less: Current portion	<u>62,873</u>	<u>66,809</u>
	<u>196,227</u>	<u>251,821</u>

The land and buildings are pledged as collateral for all mortgages and have a carrying value of \$1,030,318 (2019 – \$1,030,318).

Horizon West Housing Society

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March 31, 2020

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

	\$
2021	62,873
2022	64,139
2023	65,767
2024	66,321
	<hr/>
	259,100
	<hr/>

7 Deferred contributions

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

	2020 \$	2019 \$
Balance – Beginning of year	54,000	60,314
Contributions received in the year	-	-
Contributions recognized in the year	-	(6,314)
	<hr/>	<hr/>
Balance – End of year	54,000	54,000
	<hr/>	<hr/>

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, 2020. These statements were prepared using the same accounting policies as the Society.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2020

	2020 \$	2019 \$
Financial position		
Total assets	79,519,655	75,048,331
Total liabilities	22,239,695	21,797,525
Total fund balances	57,279,960	53,250,806
	<u>79,519,655</u>	<u>75,048,331</u>
Results of operations		
Revenue	10,575,159	16,859,299
Expenditures	6,546,005	4,655,288
Excess of revenue over expenditures	4,029,154	12,204,011
Cash flows		
Cash flows from operating activities	2,173,055	1,046,965
Cash flows from investing activities	(7,797,538)	(12,790,120)
Cash flows from financing activities	4,396,282	19,977,497
Increase (decrease) in cash during the year	(1,228,201)	8,234,342

During the year ended March 31, 2020, the Society was allocated \$428,663 (2019 – \$480,808) by HHS for office and administration and salaries and benefits expenses.

	2020 \$	2019 \$
Salaries and benefits expense	308,171	327,915
Office and administration expense	120,492	152,893

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

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-g geared-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.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2020

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, 2020, the Society had fixed interest rates on its long-term obligations at effective rates of 2.51% (2019 – 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 Internally restricted fund balances

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:

	2020 \$	2019 \$
Balance – Beginning of the year	206,278	122,282
Additions	150,000	150,000
Interest	10,109	4,471
Capital expenditures and repairs and maintenance	(41,863)	(70,475)
	<hr/>	<hr/>
Balance – End of year	324,524	206,278
	<hr/>	<hr/>

12 Subsidy and grant schedule

	2020 \$	2019 \$
Subsidy and grant revenue		
Private landlord rent supplement (PLRS)	561,802	576,226
Capital grants	-	210,274
Other grants and subsidies	9,362	13,217
	<hr/>	<hr/>
	571,164	799,717
	<hr/>	<hr/>

Horizon West Housing Society

Notes to Financial Statements

March 31, 2020

13 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, 2020, \$nil (2019 – \$nil) is included within accounts payable and accrued liabilities.

14 COVID-19 pandemic

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. As at March 31, 2020, the COVID-19 global pandemic had not yet had a significant impact on the Society's operations or global capital markets, therefore no adjustments have been recorded in the financial statements relating to this crisis for the period then ended. Management has assessed that there are no significant disclosures to make with respect to any changes to assets or liabilities in the subsequent period or any significant effects on the future operations of the Society. As it is not yet known when public health restrictions will be removed, nor the long-term impact of COVID-19, it is not possible to estimate any financial impact of this event on the Society's financial results subsequent to March 31, 2020.