

Horizon West Housing Society

Financial Statements
March 31, 2021



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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

Basis for qualified opinion

As discussed in note 2, the Society amortizes certain of its properties, which represented as at March 31, 2021, \$6,225,221 (2020 - \$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 over expenditures for the year ended March 31, 2021 should be increased and decreased respectively by \$231,625 (2020 - \$233,483), capital assets and fund balances as at March 31, 2021 should be increased by \$1,443,712 (2020 - \$1,675,337) and the fund balances as at April 1, 2020 should be increased by \$1,675,337 (2019 - \$1,908,820).

Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the effects of this matter.

PricewaterhouseCoopers LLP
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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 30, 2021

Horizon West Housing Society

Statement of Financial Position

As at March 31, 2021

	2021 \$	2020 \$
Assets		
Current		
Cash	1,335,206	820,290
Restricted cash (note 3)	720,297	608,094
Subsidy and miscellaneous receivables	14,408	13,622
Prepaid expenses	1,710	835
	<u>2,071,621</u>	<u>1,442,841</u>
Capital assets (note 4)	<u>1,030,318</u>	<u>1,030,318</u>
	<u>3,101,939</u>	<u>2,473,159</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	53,301	44,141
Due to Horizon Housing Society (note 7)	225,384	83,803
Unearned revenue	18,006	21,824
Security deposits payable	78,665	73,774
Long-term debt (note 5)	62,551	62,873
	<u>437,907</u>	<u>286,415</u>
Long-term debt (note 5)	135,514	196,227
Deferred contributions (note 6)	<u>-</u>	<u>54,000</u>
	<u>573,421</u>	<u>536,642</u>
Fund balances		
Unrestricted	1,050,329	630,499
Invested in capital assets	1,042,529	981,494
Internally restricted (note 10)	435,660	324,524
	<u>2,528,518</u>	<u>1,936,517</u>
	<u>3,101,939</u>	<u>2,473,159</u>

Approved by the Board of Directors

Wade Paget

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, 2021

	General Fund \$	Capital Fund \$	2021 \$	2020 \$
Revenue				
Rental	722,710	-	722,710	734,261
Subsidy and grant (note 11)	614,734	-	614,734	571,164
Other	143,929	-	143,929	161,704
Interest	11,843	-	11,843	10,109
	1,493,216	-	1,493,216	1,477,238
Expenditures				
Bad debts	5,260	-	5,260	11,377
Fundraising expense	-	-	-	8,636
Insurance	27,742	-	27,742	25,475
Interest on long-term debt	5,774	-	5,774	7,278
Office and administration	25,447	-	25,447	129,073
Property taxes	16,047	-	16,047	8,034
Repairs and replacements	143,189	-	143,189	153,708
Salaries and employee benefits	54,312	-	54,312	391,531
Utilities	219,144	-	219,144	187,935
Overhead allocation	404,300	-	404,300	187,935
	901,215	-	901,215	923,047
Excess of revenue over expenditures	592,001	-	592,001	554,191
Fund balances – Beginning of year	955,023	981,494	1,936,517	1,382,326
Interfund transfer – repayment of long-term debt	(61,035)	61,035	-	-
Fund balances – End of year	1,485,989	1,042,529	2,528,518	1,936,517

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, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year (General Fund)	592,001	554,191
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	(786)	8,497
Prepaid expenses	(875)	16,504
Accounts payable and accrued liabilities	9,160	(2,243)
Due to Horizon Housing Society	141,581	(17,753)
Unearned revenue	(3,818)	(6,904)
Security deposits payable	4,891	1,912
Recognition of deferred contributions (note 6)	(54,000)	-
	<hr/> 688,154	<hr/> 554,204
Financing activities		
Repayment of long-term liabilities	<hr/> (61,035)	<hr/> (59,530)
Investing activities		
Addition to restricted cash	<hr/> (112,203)	<hr/> (116,168)
Increase in cash during the year	514,916	378,506
Cash – Beginning of year	<hr/> 820,290	<hr/> 441,784
Cash – End of year	<hr/> 1,335,206	<hr/> 820,290
Supplementary information		
Interest paid	5,774	7,278
Interest received	11,843	10,109

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

Horizon West Housing Society

Notes to Financial Statements

March 31, 2021

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.

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 10).
- 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.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2021

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 2021 was \$nil (2020 – \$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

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 3).

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 and changes in fund balances 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, 2021

3 Restricted cash

Restricted cash comprises the following:

	2021 \$	2020 \$
Internally restricted replacement reserve	642,687	534,023
Tenant security deposits	77,610	74,071
	<u>720,297</u>	<u>608,094</u>

4 Capital assets

	2021		
	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>

	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>

Horizon West Housing Society

Notes to Financial Statements

March 31, 2021

5 Long-term debt

	2021 \$	2020 \$
2.51% CMHC mortgage, repayable in equal monthly instalments of \$1,793, including interest. Mortgage matures in April 2024. Amortization period remaining is four years.	63,794	83,454
2.51% CMHC mortgage, repayable in equal monthly instalments of \$3,774, including interest. Mortgage matures in April 2024. Amortization period remaining is four years.	134,271	175,646
	<hr/>	<hr/>
Less: Current portion	198,065 62,551	259,100 62,873
	<hr/>	<hr/>
	135,514	196,227
	<hr/>	<hr/>

The land and buildings are pledged as collateral for all mortgages and have a carrying value of \$1,030,318 (2020 – \$1,030,318).

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

	\$
2022	62,551
2023	64,139
2024	65,767
2025	5,608
	<hr/>
	198,065
	<hr/>

6 Deferred contributions

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

	2021 \$	2020 \$
Balance – Beginning of year	54,000	54,000
Contributions received in the year	-	-
Contributions recognized in the year	(54,000)	-
	<hr/>	<hr/>
Balance – End of year	-	54,000
	<hr/>	<hr/>

Horizon West Housing Society

Notes to Financial Statements

March 31, 2021

7 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, 2021. These statements were prepared using the same accounting policies as the Society.

	2021 \$	2020 \$
Financial position		
Total assets	105,347,329	79,519,655
Total liabilities	33,060,165	22,239,695
Total fund balances	72,287,164	57,279,960
	<u>105,347,329</u>	<u>79,519,655</u>
Results of operations		
Revenue	22,817,209	10,575,159
Expenditures	7,810,005	6,546,005
Excess of revenue over expenditures	<u>15,007,204</u>	<u>4,029,154</u>
Cash flows		
Cash flows from operating activities	3,676,349	2,173,055
Cash flows utilized in investing activities	(25,823,772)	(7,797,538)
Cash flows from financing activities	23,302,091	4,396,282
Increase (decrease) in cash during the year	<u>1,154,668</u>	<u>(1,228,201)</u>

During the year ended March 31, 2021, the Society was allocated \$404,300 (2020 – \$428,663) by HHS for office and administration and salaries and benefits expenses.

	2021 \$	2020 \$
Salaries and benefits expense	-	308,171
Office and administration expense	-	120,492
Overhead allocation to Horizon West	404,300	-

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, 2021

8 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.

9 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, 2021, the Society had fixed interest rates on its long-term obligations at effective rates of 2.51% (2020 – 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.

10 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:

	2021 \$	2020 \$
Balance – Beginning of the year	324,524	206,278
Additions	150,000	150,000
Interest	4,145	10,109
Capital expenditures and repairs and maintenance	(43,009)	(41,863)
Balance – End of year	<u>435,660</u>	<u>324,524</u>

Horizon West Housing Society

Notes to Financial Statements

March 31, 2021

11 Subsidy and grant schedule

	2021 \$	2020 \$
Subsidy and grant revenue		
Private landlord rent supplement (PLRS)	560,734	561,802
Capital grants	-	-
Other grants and subsidies	54,000	9,362
	<hr/> 614,734	<hr/> 571,164

12 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, 2021, \$nil (2020 – \$nil) is included within accounts payable and accrued liabilities.

13 COVID-19 pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a worldwide pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include restrictions on events and gatherings, the implementation of travel bans, quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have introduced significant monetary and fiscal relief programs designed to stabilize economic conditions. Public health orders and the current economic environment have and may continue to have significant adverse impacts on the Society.

Management has assessed the financial impact of COVID-19 at March 31, 2021, including its impact on revenues and expenses. The current economic challenges have not resulted in any material impacts for Society.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Society is not known at this time. The Society will continue to monitor the impacts of the pandemic and continue to adjust to the volatile situation.