ACCESSIBLE HOUSING SOCIETY

Financial Statements

March 31, 2018

ACCESSIBLE HOUSING SOCIETY
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For the Year Ended March 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Accessible Housing Society

We have audited the accompanying financial statements of Accessible Housing Society, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Accessible Housing Society as at March 31, 2018 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.

Calvista LLP

Calgary, Alberta
June 13, 2018

Chartered Professional Accountants

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ACCESSIBLE HOUSING SOCIETY
Statement of Financial Position
As at March 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	$ **2,229,252**	$ 3,492,820
Short term investments *(Note 4)*	**390,073**	386,788
Accounts receivable	**52,085**	60,051
Goods and services tax recoverable	**44,953**	249,255
Prepaid expenses	**18,371**	40,735
	2,734,734	4,229,649
Property and equipment *(Note 3)*	**15,365,020**	7,936,600
	$ **18,099,754**	$ 12,166,249
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	$ **785,253**	$ 1,309,243
Revolving loan *(Note 5)*	**24,949**	2,012
Current portion of long term debt *(Note 6)*	**3,525,000**	132,800
Deferred revenue	**150**	-
	4,335,352	1,444,055
Long term debt *(Note 7)*	**-**	50,044
Deferred contributions - operations *(Note 8)*	**349,162**	191,266
Deferred contributions - property and equipment *(Note 9)*	**10,342,597**	6,107,148
Deferred contributions - future property development *(Note 10)*	**-**	2,112,062
	15,027,111	9,904,575
Net Assets		
Invested in property and equipment	**2,634,924**	1,646,608
Internally restricted *(Note 12)*	**251,223**	251,223
Unrestricted	**186,496**	363,843
	3,072,643	2,261,674
	$ **18,099,754**	$ 12,166,249

On behalf of the Board

_________________________ Director

_________________________ Director

See notes to financial statements

ACCESSIBLE HOUSING SOCIETY
Statement of Operations
For the Year Ended March 31, 2018

	2018	2017
Revenue		
Government funding	**$ 2,150,546**	$ 1,445,289
Calgary Homeless Foundation *(Note 11)*	**1,173,617**	1,290,949
Resolve *(Note 10)*	**347,606**	479,673
Donations	**327,300**	257,112
Other grants	**300,568**	283,172
Recognition of deferred contributions related to property and equipment *(Note 9)*	**211,911**	285,336
Rental revenue	**85,661**	256,144
Other income	**31,850**	14,243
Interest income	**4,265**	5,744
	4,633,324	4,317,662
Expenses		
Salaries and benefits	**2,740,794**	2,660,463
Resolve	**347,606**	441,544
Client direct costs	**319,984**	348,315
General office and administrative	**290,985**	284,345
Facility expense	**237,702**	158,362
Rental	**88,383**	92,671
Professional fees	**80,019**	40,065
Amortization	**49,219**	80,751
Interest on long term debt	**37,660**	1,026
Insurance	**3,450**	3,450
Interest and bank charges	**2,901**	4,234
	4,198,703	4,115,226
Excess of revenue over expenses from operations	**434,621**	202,436
Gain on disposal of properties	**376,348**	319,453
Excess of revenue over expenses	**$ 810,969**	$ 521,889

See notes to financial statements

ACCESSIBLE HOUSING SOCIETY
Statement of Changes in Net Assets
For the Year Ended March 31, 2018

	Invested in property and equipment	Internally restricted (Note 12)	Unrestricted	**2018**	2017
Net assets - beginning of year	**$ 1,646,608**	**$ 251,223**	**$ 363,843**	**$ 2,261,674**	$ 299,785
Excess of revenue over expenses	**539,040**	-	**271,929**	**810,969**	521,889
Contribution of land *(Note 3)*	-	-	-	-	1,440,000
Interfund transfers	**(782,082)**	-	**782,082**	-	-
Internally restricted additions *(Note 12)*	-	**1,231,358**	**(1,231,358)**	-	-
Internally restricted utilizations	**1,231,358**	**(1,231,358)**	-	-	-
Net assets - end of year	**$ 2,634,924**	**$ 251,223**	**$ 186,496**	**$ 3,072,643**	$ 2,261,674

See notes to financial statements

ACCESSIBLE HOUSING SOCIETY

Statement of Cash Flows

For the Year Ended March 31, 2018

	2018	2017
Operating activities		
Excess of revenue over expenses	**$ 810,969**	$ 521,889
Items not affecting cash:		
Amortization of property and equipment	**49,219**	80,751
Gain on disposal of property and equipment	**(376,348)**	(319,453)
Revenue recognized from deferred related to property and equipment *(Note 9)*	**(211,911)**	(285,335)
	271,929	(2,148)
Changes in non-cash working capital:		
Accounts receivable	**7,966**	1,077,744
Accounts payable and accrued liabilities	**279,694**	(16,370)
Deferred revenue	**150**	(10,304)
Prepaid expenses	**22,364**	(23,858)
Goods and services tax recoverable	**204,302**	(240,406)
Deferred contributions related to operation	**141,896**	(301,835)
	656,372	484,971
Cash flows from operating activities	**928,301**	482,823
Investing activities		
Purchase of property and equipment	**(9,206,518)**	(4,328,027)
Proceeds on disposal of property and equipment	**1,231,358**	659,292
Purchase of short term investments	**(3,285)**	(152,352)
Interest earned on restricted contributions *(Notes 9, 10)*	**8,735**	27,706
Cash flows used by investing activities	**(7,969,710)**	(3,793,381)
Financing activities		
Contribution received for capital assets	**2,342,563**	2,264,760
Proceeds of short term loan	**3,425,000**	-
Revolving loan	**22,937**	2,012
Repayment of long term debt	**(12,659)**	(29,006)
Cash flows from financing activities	**5,777,841**	2,237,766
Decrease in cash flows	**(1,263,568)**	(1,072,792)
Cash and cash equivalents - beginning of year	**3,492,820**	4,565,612
Cash and cash equivalents - end of year	**$ 2,229,252**	$ 3,492,820

See notes to financial statements

1. Purpose of organization

Accessible Housing Society (the "Society") is a Calgary not-for-profit organization that opens doors to safe, barrier-free housing to individuals with limited physical mobility. Accessible Housing's vision is that everyone has a home and belongs in community. The Society is a registered charity, and thus is exempt from income tax under Section 149(1)(f) of the Income Tax Act.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies below:

Revenue recognition

The Society follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized in the year in which the related expenses are incurred.

Amounts externally restricted for capital purposes are recorded as deferred contributions for property and equipment when received or receivable and recognized as revenue each year in proportion to the annual depreciation of the related assets for which the capital expenditures were expended. Amounts which have not been designated for a specific capital project or which relate to expenses for a future period are deferred and recognized as revenue when the expenses are incurred.

Restricted investment income is recognized as revenue in the year which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Donated materials are recorded, at the estimated fair value, if the donated materials would otherwise have been purchased if not donated. If fair value cannot be reasonably estimated, such donations are not recorded.

Cash and cash equivalents

The Society classifies the following as cash and cash equivalents: cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

Property and equipment

Property and equipment is recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Building	40 years	straight-line
Equipment	5 years	straight-line
Major equipment	10 years	straight-line
Digital equipment	3 years	straight-line

Property under development is not amortized until placed into use.

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2. Summary of significant accounting policies *(continued)*

Financial instruments policy

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost.

The financial assets measured at amortized cost include cash and cash equivalents, short term investments and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, revolving loan, current portion of long term debt and long term debt.

Contributed services

The operations of the organization depend on the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and are not reflected in these financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these financial statements.

3. Property and equipment

	Cost	Accumulated amortization	2018 Net book value
Land			
Inclusio (c)	**$ 1,440,000**	**$ -**	**$ 1,440,000**
Building			
Inclusio (c)	**13,127,991**	**-**	**13,127,991**
Equipment			
Inclusio	**306,348**	**-**	**306,348**
Administration	**125,284**	**116,928**	**8,356**
Major equipment			
Inclusio	**97,752**	**-**	**97,752**
Digital equipment			
Inclusio	**384,573**	**-**	**384,573**
	$ 15,481,948	**$ 116,928**	**$ 15,365,020**

	Cost	Accumulated amortization	2017 Net book value
Land			
Foundation Place (b)	$ 350,000	$ -	$ 350,000
Inclusio Land (c)	1,440,000	-	1,440,000
Buildings			
Foundation Place (b)	812,269	263,484	548,785
McLaurin Village (a)	279,570	213,806	65,764
Inclusio-under development (c)	5,513,487	-	5,513,487
Equipment			
Foundation Place	26,026	24,694	1,332
McLaurin Village (a)	25,419	25,419	-
Administration	158,285	141,053	17,232
	$ 8,605,056	$ 668,456	$ 7,936,600

a) McLaurin Village consists of six condominium units. Three units were sold in 2017. The remaining three units were sold in 2018.

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3. Property and equipment *(continued)*

b) On April 30, 2009, the Society purchased Foundation Place land and building from the Calgary Homeless Foundation ("CHF") for a total purchase price of $696,263, of which $377,000 was forgiven by the vendor as a credit to purchase price. The remaining $319,263 was paid in cash and subsequently reimbursed from Alberta Seniors and Community Supports. In accordance with a Project Funding Agreement signed between CHF and the Society dated March 6, 2009, CHF has the right to demand return of all funds advanced if the Society fails to operate Foundation Place in accordance with certain provisions as prescribed in the Project Funding Agreement. The $377,000 was added to the cost of the property to account for the contributed asset at fair value. The building was sold in January 2018. The original project funding agreement was amended and the $377,000 was transferred to Inclusio. This agreement expires March 31, 2019. During the year, the Society was in compliance with all provisions as prescribed.

c) In 2017, the Society purchased the land that was previous leased under Fourth Dimension building from the City. The purchase price of the land was $93,669 with fair market value at $1,440,000 per the City's property assessment. The cost of the land is considered to be the fair market value and the total contribution is recognized as a direct increase in net assets.

The construction of a new apartment building for 45 people ("Inclusio") on the above purchased land began in September 2016 and was completed in February 2018. Direct costs related to the construction of the building have been capitalized and will be amortized when the building is placed into use. The building was not placed into use until late March 2018, therefore amortization will commence in April 2018.

4. Short term investments

	2018	2017
Guaranteed investment certificates (GIC), bearing interest 1.3% per annum, Maturing October 2018	**$ 238,198**	$ -
Guaranteed investment certificates (GIC), bearing interest 0.75% per annum, Maturing December 2018	**151,875**	-
Guaranteed investment certificates (GIC), bearing interest 0.6% per annum, maturing October 2017	-	236,788
Guaranteed investment certificates (GIC), bearing interest 1.25% per annum, maturing December 2017	-	150,000
	$ 390,073	$ 386,788

5. Revolving loan

The Society has entered a revolving loan agreement with Connect First Credit Union Ltd. Maximum amount available under the loan is $60,000, which bears interest at 5.95% with a Debt to Service coverage Ratio not less than 1.25:1. As at March 31, 2018, the Society was in compliance with this covenant.

6. Current portion of long term debt

The Society has two mortgages on demand, all secured against the respective properties as detailed below:

	2018	2017
Inclusio		
Canada Mortgage and Housing Corporation, (a)	**$ 100,000**	$ 100,000
First Calgary (b)	**3,425,000**	-
McLaurin Village		
Canada Mortgage and Housing Corporation, (c)	**-**	32,800
	$ 3,525,000	$ 132,800

a) The Society entered into a mortgage agreement with Canada Mortgage and Housing Corporation ("CMHC") for $100,000 in financing for Inclusio under the following conditions:

1. If the Society is successful in producing an affordable rental housing project, with rents that are deemed by CMHC to be within "Level 1" affordability, CMHC may forgive 20% of the total amount advanced under the loan. The remaining 80% will be repayable to CMHC immediately upon receipt of the first advance of the capital financing or other funding for the project.
2. If the Society is successful in producing an affordable rental housing project, with rents that are deemed by CMHC to be within "Level 2" affordability, CMHC may forgive 35% of the total amount advanced under the loan. The remaining 65% will be repayable to CMHC immediately upon receipt of the first advance of the capital financing or other funding for the project.
3. If the Society is successful in producing an affordable home ownership project, CMHC may forgive 20% of the total amount advanced under the loan. The remaining 80% will be repayable to CMHC immediately upon receipt of the first advance of the capital financing or other funding for the project.
4. If the borrower has successfully produced a housing project, but the project is not "affordable" as defined by CMHC, then the total amount advanced under the Loan is repayable to CMHC immediately upon receipt of the first advance of the capital financing or other funding for the project.

b) During the year, the Society entered into a construction mortgage agreement with First Calgary for maximum of $4,629,239 in financing for Inclusio. The interest is payable monthly at 4.45%. The mortgage is collateralized by land title of Inclusio with a carrying value of $1,440,000. The balance withdrawn is $3,425,000 as at March 31, 2018.

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6. Current portion of long term debt *(continued)*

c) The forgivable loan, bears interest at 6.5% per annum, and was provided by CMHC to the Society to carry out conversion, repair and rehabilitation of 5 units at McLaurin Village. An Operating Agreement was signed between CMHC and the Society on October 1, 2011, the same date as the loan agreement. In accordance with the loan agreement, CMHC will forgive $8,000 per year for fifteen years for a total of $120,000, provided that the Society complies with certain conditions prescribed in the Operating Agreement and loan agreement. Should the Society be in default of the prescribed conditions, CMHC will have the right to declare the unearned portion of the forgivable loan due and payable immediately, together with interest at 6.5% computed from the date of default. Three units were sold in prior year. The remaining three units were sold during current year. The $29,600 (2017: $47,867) of the unearned amount of forgivable loan was paid back to CMHC immediately upon sale of these units. The assets securing this mortgage have a carrying value of $Nil (2017: $65,764).

7. Long term debt

The forgivable loans with ending balance of $50,400 as at March 31, 2017, bearing interest at 7% per annum, were provided by CMHC to the Society to carry out conversion, repair and rehabilitation of the Foundation Place building. An Operating Agreement was signed between CMHC and the Society for each loan on September 15, 2009, the same date as the loan agreement. In accordance with the loan agreement, CMHC will forgive $6,255 per year for fifteen years for a total of $93,830 and $19,200 per year for five years for a total of $96,000. As of March 31, 2018 $48,479 and $96,000 has been forgiven on the respective loans. The forgiveness of the loan is subject to the Society's compliance with certain conditions prescribed in the Operating Agreement and loan agreement. Should the Society be in default of the prescribed conditions, CMHC will have the right to declare the unearned portion of the forgivable loan due and payable immediately, together with interest at 7% computed from the date of default. The building was sold in January 2018. The $45,351 of the unearned amount of forgivable loan was paid back to CMHC immediately upon sale of this property. The assets securing this mortgage have a carrying value of $Nil (2017: $548,785).

In the year that a portion of the loan is forgiven, an amount equal to the forgiven portion of the loan is transferred to deferred contributions related to property and equipment, and start to be amortized over a period equal to the remaining useful life of the Foundation Place building. As of March 31, 2018, $144,479 (2017: $139,786) has been transferred to deferred contributions related to property and equipment. The balance of deferred contributions related to property and equipment as at sold date has been written off in current year.

As at March 31, 2018, the Society is in compliance with all conditions prescribed in the CMHC Operating Agreement and loan agreement.

8. Deferred contributions related to operations

	2018	2017
Balance - beginning of the year	**$ 191,266**	$ 509,101
Contributions received	**3,753,413**	2,659,245
Recognized as revenue	**(3,595,517)**	(2,977,080)
Balance - end of the year	**$ 349,162**	$ 191,266

9. Deferred contributions related to property and equipment

	2018	2017
Balance - beginning of the year	**$ 6,107,148**	$ 1,095,683
Transfer from deferred contributions for future development (Note 10)	**4,447,360**	5,290,545
Amounts transferred from forgivable loans (Note 7)	**-**	6,256
Recognized as revenue	**(211,911)**	(285,336)
Balance - end of the year	**$ 10,342,597**	$ 6,107,148

10. Deferred contributions related to future property development

Deferred contributions related to future development represent contributions from a capital campaign to build the Inclusio (Note 3(c)).

	2018	2017
Balance - beginning of the year	**$ 2,112,062**	$ 5,100,396
Contributions received	**2,690,511**	2,847,847
Interest earned	**8,736**	27,706
Recognized as Resolve	**(347,606)**	(479,673)
Recognized as other grants	**(16,343)**	-
Transfer to purchase property and equipment (Note 9)	**(4,447,360)**	(5,290,545)
Transfer to purchase land (Note 3 c))	**-**	(93,669)
Balance - end of the year	**$ -**	$ 2,112,062

11. Refundable surplus

a) Under the terms of the contract with PDD, the excess of funds received over specific operating expenditures, as budgeted in the Society's funding applications, is to be refunded at the end of the 3 year contract expires March 31, 2020. The calculation of excess funds is carried out by PDD subsequent to year-end and is dependent on whether it chooses to fund budget overages incurred in specific expenditure categories. In addition, PDD may approve the transfer of these excess funds to deferred contributions related to operations for future authorized expenditures.

b) In accordance with the terms of the funding agreement with CHF, any unused surplus resulting from the excess of contract amounts over eligible expenses are applied to the subsequent year. As of March 31, 2018, the surplus from Bridge to Home $106,717 and the Newbridge $38,457 projects were reported under the deferred contributions related to operations.

Project Funding Agreement	Bridge to Home	Newbridge
Surplus from prior year	$ 11,011	$ 36,827
Funds received in current year		
Calgary Homeless Foundation	795,594	475,355
Rental	-	36,081
	795,594	511,436
Expenses		
Staff costs	433,691	366,753
Client costs	183,541	92,330
Administration costs	82,656	50,723
	699,888	509,806
Refundable surplus - deferred contributions	$ 106,717	$ 38,457

12. Internally restricted

The Board of Directors (the "Board") originally established a reserve of $101,223 to cover the cost of major repairs and maintenance related to Foundation Place and McLaurin Village units. The Society sold three McLaurin Village units in 2017 and out of the proceed, $150,000 was restricted for future capital initiatives. In the current year, Foundation Place and the remaining units at McLaurin Village were disposed of therefore the Board decided to redesignate the total balance of the $251,223 reserve fund to be used to support major repairs and maintenance related to Inclusio.

During 2018, the Board has restricted an additional $1,231,358 from the proceeds of disposal of the Foundation Place property and the remaining McLaurin Village units to support the construction of Inclusio. As of March 31, 2018, all of this amount was used for the construction of Inclusio.

13. Commitments

The Society's existing office lease agreement will expire on June 30, 2018. Subsequent to the year end on April 23, 2018, the Society signed a office lease agreements to extend the existing lease term to November 30, 2028. Under the terms of above agreements, Future minimum lease payments are as following:

2019	$ 50,031
2020	60,064
2021	60,064
2022	60,064
2023	61,315
Thereafter	369,143
	$ 660,681

14. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, revolving loan, current portion of long term debt and long term debt, all of which are reported at amortized cost. The carrying value of financial instruments approximate their value fair.

Management has determined that the Society is not exposed to significant credit or market risks, but does have some interest rate risk due to the nature of investment and long term debt held.

15. Related party transactions

During the year the Society paid $16,260 (2017: $31,438) to one of the board members as an interim chief executive officer. This transaction was in the normal course of operations and had been recorded at the exchange amount.

16. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.