

BISHOP O'BYRNE HOUSING ASSOCIATION

COLUMBUS PLACE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT**To the Members of Bishop O'Byrne Housing for Seniors Association**

We have audited the accompanying financial statements of Bishop O'Byrne Housing Association – Columbus Place, which comprise the statement of financial position as at December 31, 2015 and the statement of changes in net assets, operations 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 whether the financial statements are free from material misstatement.

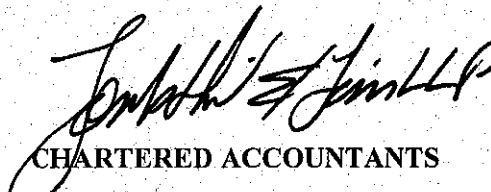
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

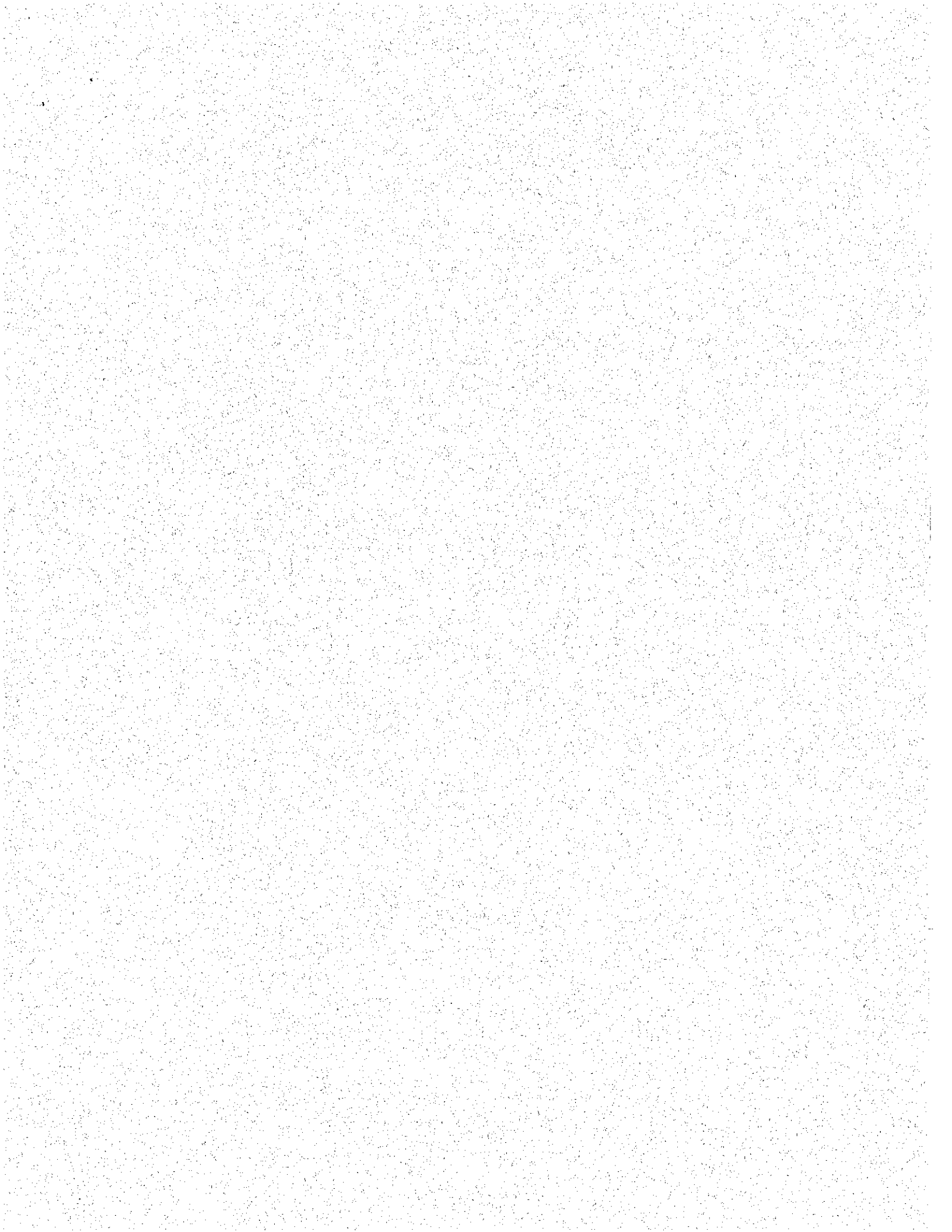
Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Bishop O'Byrne Housing Association – Columbus Place as at December 31, 2015 and the results of its operations and changes in its net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
May 20, 2016



CHARTERED ACCOUNTANTS



	2015	2014
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 31,477	\$ 15,993
Tenant deposits payable	34,200	36,186
Due to related party – Note 2	46,182	14,588
Current portion of mortgage payable – Note 6	35,556	34,320
Deferred capital contributions – Note 4	<u>5,148,777</u>	<u>5,293,377</u>
	5,296,192	5,394,464
LONG TERM		
Mortgage payable – Note 6	2,599,632	2,635,188
NET ASSETS		
Invested in capital assets – Note 7	237,667	288,293
Externally restricted – Note 5	60,822	31,369
Unrestricted	<u>386,094</u>	<u>221,458</u>
	684,583	541,120
TOTAL LIABILITIES AND EQUITY	\$ 8,580,407	\$ 8,570,772

ON BEHALF OF THE BOARD:

_____ Director

_____ Director

BISHOP O'BYRNE HOUSING ASSOCIATION

COLUMBUS PLACE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Invested in Capital Assets	Externally Restricted	Unrestricted	Total
Balance December 31, 2013	\$ 10,306	\$ -	\$ 330,276	\$ 340,582
Excess of revenue (expenses)	(84,946)	-	285,484	200,538
Transfer	362,933	31,369	(394,302)	-
Balance December 31, 2014	288,293	31,369	221,458	541,120
Excess of revenue (expenses)	(84,946)		228,409	143,463
Transfer	34,320	29,453	(63,773)	-
Balance December 31, 2015	\$ 237,667	\$ 60,822	\$ 386,094	\$ 684,583

BISHOP O'BYRNE HOUSING ASSOCIATION

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STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
REVENUE		
Rental	\$ 635,778	\$ 641,765
Utility recoveries	66,014	66,171
Parking and sundry	21,448	20,585
Donations	211,680	6,297
Amortization of deferred capital contributions	144,600	144,600
TOTAL REVENUE	1,079,520	879,418
UTILITIES		
Electricity	47,227	45,764
Heating fuel	18,325	24,758
Water and sewer	18,361	13,643
Cable TV	24,272	22,687
	<u>108,185</u>	<u>106,852</u>
FACILITY OPERATIONS		
Janitorial	9,399	2,289
Grounds maintenance	1,878	4,030
Waste removal	4,787	3,874
Security	5,059	10,276
Property taxes	74,174	54,786
Building maintenance	30,610	27,378
Mortgage interest	93,896	83,360
Project labor and benefits	59,145	53,423
	<u>278,948</u>	<u>239,416</u>
ADMINISTRATION		
Administration fee	63,291	51,616
Sundry	282	849
Office	5,823	15,590
Insurance	30,349	18,598
Professional fees	11,153	14,110
Amortization	229,546	229,546
Resolve Campaign costs	208,652	-
Bad debt (recoveries)	(172)	2,303
	<u>548,924</u>	<u>332,612</u>
TOTAL EXPENSES	936,057	678,880
EXCESS OF REVENUE (EXPENSES)	\$ 143,463	\$ 200,538

BISHOP O'BYRNE HOUSING ASSOCIATION

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue (expenses)	\$ 143,463	\$ 200,538
Add items not affecting cash		
Amortization of capital assets	229,546	229,546
Amortization of deferred capital contributions	<u>(144,600)</u>	<u>(144,600)</u>
	228,409	285,484
Net change in non-cash working capital balances related to operations		
Accounts receivable	12	58,553
Prepaid expenses	55,026	(37,383)
Accounts payable and accrued liabilities	<u>15,484</u>	<u>(86,347)</u>
	298,931	220,307
FINANCING ACTIVITIES		
Bank loan (repayment)	-	(590,000)
Mortgage payable	(34,320)	(30,492)
Deferred capital contributions	-	247,659
Due to related party	31,594	26,965
Change in reserve fund	<u>(29,453)</u>	<u>(31,369)</u>
	(32,179)	(377,237)
INVESTING ACTIVITY		
Purchase of capital assets	-	(1,650)
CHANGE IN CASH DURING THE YEAR	266,752	(158,580)
CASH - Beginning of the year	188,731	347,311
CASH - End of the year	\$ 455,483	\$ 188,731

BISHOP O'BYRNE HOUSING ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

PURPOSE OF ORGANIZATION

Bishop O'Byrne Housing Association is a non-profit organization which provides services for elderly citizens of low income who are unable to obtain adequate accommodation for their needs. Columbus Place (the "Project") is a division of the Association, and these financial statements reflect the assets, liabilities, revenues and expenses of the Project and the Association (collectively the Association). The Association is incorporated under the Societies Act of Alberta as a non-profit private company and is a registered charity under the Income Tax Act (Canada).

NOTE 1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and in management's opinion have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

a) **Deferral Method of Accounting**

Bishop O'Byrne Housing Association 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. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

b) **Contributed Services**

Volunteers contribute their time to assist Bishop O'Byrne Housing Association in carrying out its services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

c) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on deposit with a chartered bank and investments in short-term deposits that on acquisition have maturities of ninety days or less.

d) **Revenue Recognition**

Revenue from rental property is recognized when a tenant commences occupancy of a property and rent is due. All residential leases are for terms of one year or less, consequently the Association accounts for leases with its tenants as operating leases. Rental revenue includes rent, parking, utilities and other sundry revenue recoveries.

BISHOP O'BYRNE HOUSING ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: ACCOUNTING POLICIES – CONTINUED

e) Capital Assets

Capital assets are stated at cost less accumulated amortization and impairment write-downs. Amortization expense is charged using the straight line method, net of any residual value, over the estimated useful economic life of the assets as follows:

Furniture and fixtures	10% straight line
Building	2.5% straight line
Equipment	10% straight line

f) Financial Instruments

i) Measurement of financial instruments

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

ii) Impairment

At the end of each reporting period, the Association assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. The amount of any write down is recognized in the statement of operations. If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations. On the date of the impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized.

g) Use of Estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of property and equipment, amortization of deferred capital contributions and the accrued amounts for accounts payable. Actual results could differ from those estimates.

BISHOP O'BYRNE HOUSING ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 DUE TO RELATED PARTY

The Bishop O'Byrne Housing Association operates separate divisions being Columbus Place and the Management Body. The divisions transact with each other under normal business terms and use the exchange amount as the basis for measurement. Transactions include recoveries of costs between divisions. At December 31, 2015 \$46,182 is due to (2014 - \$14,588) the Management Body. The amount is not secured, is due on demand and is non-interest bearing.

NOTE 3 CAPITAL ASSETS

	<u>2015</u> <u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u> <u>Book Value</u>
Buildings	\$8,549,846	\$ 641,492	\$ 7,908,354
Furniture and fixtures	137,225	41,145	96,080
Equipment	20,773	6,225	14,548
Capitalized construction costs	<u>2,650</u>	<u>-</u>	<u>2,650</u>
	<u>\$8,710,494</u>	<u>\$ 688,862</u>	<u>\$ 8,021,632</u>

	<u>2014</u> <u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u> <u>Book Value</u>
Buildings	\$ 8,549,846	\$ 427,746	\$ 8,122,100
Furniture and fixtures	137,225	27,423	109,802
Equipment	20,773	4,147	16,626
Capitalized construction costs	<u>2,650</u>	<u>-</u>	<u>2,650</u>
	<u>\$ 8,710,494</u>	<u>\$ 459,316</u>	<u>\$ 8,251,178</u>

NOTE 4 DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent externally restricted contributions and other funds received for the purchase or construction of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations in accordance with the useful lives of corresponding assets capitalized in the statement of financial position.

	<u>2015</u>	<u>2014</u>
Deferred capital contributions, beginning of year	\$ 5,293,377	\$5,190,318
Add: Government of Alberta grant	-	247,659
Less: Amortization	<u>144,600</u>	<u>144,600</u>
Deferred capital contributions, end of year	<u>\$ 5,148,777</u>	<u>\$5,293,377</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 RESERVE FUND

The Association has agreed to create a reserve fund pursuant to mortgage requirements for capital repairs and replacements by contributing 4% of the effective gross monthly rental income to be paid monthly into an escrow account less any approved capital expenditures. A total of \$29,453 (2014 - \$31,369) was allocated to the reserve fund for the current fiscal year.

NOTE 6 MORTGAGE PAYABLE

The mortgage payable bears interest at 3.29% per annum, is repayable in monthly payments of \$10,087, blended principal and interest, is secured by the land and buildings and an assignment of rents. The mortgage matures in December 2018.

The estimated principal payments in each of the next three years are as follows:

2016	\$ 35,556
2017	36,735
2018	2,562,897

NOTE 7 INVESTED IN CAPITAL ASSETS

a) Net assets invested in capital assets is calculated as follows:

	<u>2015</u>	<u>2014</u>
Capital assets	\$ 8,021,632	\$ 8,251,178
Amounts financed by:		
Deferred capital contributions	(5,148,777)	(5,293,377)
Mortgage payable	<u>(2,635,188)</u>	<u>(2,669,508)</u>
	<u>\$ 237,667</u>	<u>\$ 288,293</u>

b) Deficiency of revenues over expenses:

	<u>2015</u>	<u>2014</u>
Amortization of deferred capital contributions	\$ 144,600	\$ 144,600
Amortization of capital assets	<u>(229,546)</u>	<u>(229,546)</u>
	<u>\$ (84,946)</u>	<u>\$ (84,946)</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Association is exposed to various financial risks resulting from its operations. The Association does not enter into financial instrument agreements for speculative purposes. The Association is exposed to credit, liquidity and interest rate risks associated with its financial instruments. Overall, the Association's board of directors has responsibility for the establishment and approval of the Association's risk management policies. Management performs a risk assessment to ensure that all significant risks related to the Association and its operations have been reviewed and assessed to reflect changes in market conditions and the Association's activities. There has been no change in risk exposure from 2014 and there is expected to be no substantive change in the next fiscal period.

Credit Risk

Credit risk is the risk of financial loss to the Association if a counter party to a financial instrument fails to meet its contractual obligations. The Association's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, tenant deposits in trust and reserve funds and are maintained with a large federally regulated financial institution in Canada. The Association does not have significant trade accounts receivable outstanding at year end and is not subject to concentration of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they are due. The Association manages its liquidity risk by monitoring its operating requirements and mortgage payments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Association's mortgage payable is subject to fixed interest rate until its renewal date (note 6), therefore the Association is not exposed to interest rate risk.

NOTE 9 INCOME TAXES

These financial statements reflect only the assets, liabilities, revenues and expenses of Columbus Place, a division of the Association operated as a non-profit organization under the Societies Act of the Province of Alberta and accordingly contains no provision for income taxes.

NOTE 10 COMMITMENTS

The Association has entered into contracts to purchase natural gas at \$3.96 per gigajoule for a three year term ending June 30, 2018 and to purchase electricity at \$0.05679 per kilowatt hour for a three year term ending December 31, 2018.