

Financial Statements of

Victoria Cool Aid Society

Year Ended March 31, 2017

DICKSON
DUSANJ
& WIRK

CHARTERED
PROFESSIONAL
ACCOUNTANTS

Independent Auditors' Report

To: The Members of the Victoria Cool Aid Society

Report on Financial Statements

We have audited the accompanying financial statements of the Victoria Cool Aid Society (the "Society"), which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2017 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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, these financial statements present fairly, in all material respects, the financial position of the Victoria Cool Aid Society as at March 31, 2017 and the results of its operations, changes in net assets and cash flows for the year ended March 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



June 8, 2017
Victoria, B.C.

Chartered Professional Accountants


Victoria Cool Aid Society

Statement of Financial Position

As at March 31, 2017 with comparative figures for 2016

	2017 \$	2016 \$
Assets		
Current:		
Cash and short-term investments (Note 3)	6,022,539	5,155,405
Accounts receivable	776,346	685,414
Inventory	102,205	113,413
Prepaid expenses	82,084	56,425
	<u>6,983,174</u>	<u>6,010,657</u>
Cash – Restricted Funds (Note 4)	1,466,687	1,321,929
Long-term accounts receivable (Note 5)	207,870	207,870
Prepaid leases (Note 6)	470,932	539,133
Property and equipment (Note 7)	35,173,626	27,476,261
	<u>44,302,289</u>	<u>35,555,850</u>
Liabilities		
Current:		
Bank loan payable	102,225	125,617
Accounts payable and accrued liabilities	1,550,965	1,664,815
Government remittances payable	482,114	81,495
Security deposits	126,876	121,421
Deferred contributions (Note 8)	3,083,090	2,339,030
Current portion of long-term debt (Note 12)	1,105,431	691,542
	<u>6,450,701</u>	<u>5,023,920</u>
Deferred contributions related to restricted funds (Note 9)	153,343	127,965
Deferred contributions related to land lease (Note 10)	134,134	158,522
Deferred contributions related to property and equipment (Note 11)	6,238,630	6,540,305
Long-term debt (Note 12)	18,283,498	19,390,719
Forgivable debt (Note 13)	8,696,332	92,322
	<u>39,956,638</u>	<u>31,333,753</u>
Net Assets		
Invested in property and equipment (Note 15)	1,771,125	1,676,940
Externally restricted replacement reserves – B.C. Housing (Note 4)	1,231,414	1,125,009
Internally restricted (Note 16)	1,338,590	1,338,410
Unrestricted	4,522	81,738
	<u>4,345,651</u>	<u>4,222,097</u>
Total net assets	4,345,651	4,222,097
Total liabilities and net assets	44,302,289	35,555,850

Approved by the board:



Director



Director

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Operations

Year ended March 31, 2017 with comparative figures for 2016

	2017	2016
	\$	\$
Revenue		
B.C. Housing Management Commission	9,431,992	8,206,911
Island Health Authority	4,776,092	4,377,965
Pharmacy revenue	3,496,170	4,786,179
Rental income and occupancy fees	2,282,889	2,083,251
Forensic Psychiatric Services Commission	726,354	693,308
Fees - dental	706,516	658,809
Amortization of deferred contributions	360,816	336,351
Donations & grants	500,247	485,526
Research grants	207,754	170,350
United Way	105,000	127,930
Gaming - Direct Access	100,000	100,000
Other	99,589	162,237
Investment income	42,665	37,941
CMHC Loan Forgiveness	35,501	42,388
Utilization of deferred revenue	-	96,832
	<u>22,871,585</u>	<u>22,365,978</u>
Expenses		
Salaries and benefits	12,861,120	11,482,260
Supplies and equipment - health centre	2,886,874	4,095,598
Building occupancy costs	2,008,229	1,674,980
Physician & Dentist fees	1,376,860	1,200,245
Program expense and client support	1,207,407	1,035,804
Amortization expense	1,096,665	1,049,217
Mortgage interest and loan fees	664,029	695,008
Office supplies and equipment	175,873	148,005
Amounts transferred to replacement reserves	151,214	148,921
Gaming expense	100,614	101,024
Travel and vehicle expenses	95,257	109,576
Professional fees	73,933	176,631
Advertising, promotion, and fundraising	70,735	121,954
Staff development and training	62,609	55,054
Licenses, memberships and dues	25,090	25,866
Bank charges and interest	18,070	19,414
Miscellaneous	14,411	33,225
	<u>22,888,990</u>	<u>22,172,782</u>
Excess (deficiency) of revenue over expenses from operations	<u>(17,405)</u>	<u>193,196</u>

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Changes in Net Assets

Year ended March 31, 2017 with comparative figures for 2016

	Invested in Property and Equipment <i>(Note 15)</i> \$	Externally Restricted B.C. Housing <i>(Schedule 1)</i> \$	Internally Restricted <i>(Note 16)</i> \$	Endowment Fund <i>(Note 17)</i> \$	Unrestricted \$	2017 Total \$	2016 Total \$
Balance, beginning of year	1,676,940	1,125,009	1,338,410	-	81,738	4,222,097	3,870,936
Allocation of income:							
Excess (deficiency) of revenues over expenses	-	-	-	-	(17,405)	(17,405)	193,196
Transfers between funds:							
Amortization of property and equipment, net	(650,612)	-	-	-	650,612	-	-
Interest income and bank charges	-	6,870	180	-	(7,050)	-	-
Investment in property and equipment <i>(Note 15)</i>	703,373	-	-	-	(703,373)	-	-
Transfers to (from) replacement reserves:							
Amounts expended to replacement reserve	-	(51,679)	-	-	-	(51,679)	(38,716)
Replacement reserve provision <i>(Note 4)</i>	-	151,214	-	-	-	151,214	148,921
Direct increases (decreases) to net assets:							
Endowment funds received <i>(Note 17)</i>	-	-	-	51,844	-	51,844	9,385
Endowment funds transferred <i>(Note 17)</i>	-	-	-	(51,844)	-	(51,844)	(9,385)
Contributions related to land	41,424	-	-	-	-	41,424	47,760
	94,185	106,405	180	-	(77,216)	123,554	351,161
Balance, end of year	1,771,125	1,231,414	1,338,590	-	4,522	4,345,651	4,222,097

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Cash Flows

Year ended March 31, 2017 with comparative figures for 2016

	2017	2016
	\$	\$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	(17,405)	193,196
Items not involving cash:		
Amortization	1,096,665	1,049,217
Amortization of deferred contributions	(360,816)	(336,351)
Amortization of forgivable CMHC mortgage	(28,178)	(31,653)
Transfers to replacement reserves	99,535	110,205
Cash provided by (used in) changes in non-cash working capital items:		
Accounts receivable	(90,932)	(213,087)
Prepaid expenses	(25,659)	4,374
Inventory	11,208	(31,343)
Accounts payable and accrued liabilities	306,148	150,946
Government remittances payable	(19,381)	(45,050)
Security deposits	5,455	(1,574)
Deferred contributions	810,864	804,837
	<u>1,787,504</u>	<u>1,653,717</u>
Cash flows from financing and investing activities:		
Mortgage and construction financing	7,915,462	(696,179)
Proceeds from disposition of property	-	1,430,590
Construction and purchase of property and equipment, net	(8,725,827)	(271,916)
Deferred contributions related to property and equipment	34,753	(191,474)
	<u>(775,612)</u>	<u>271,021</u>
Net increase in cash	1,011,892	1,924,738
Cash, beginning of year	<u>6,477,334</u>	<u>4,552,596</u>
Cash, end of year	<u>7,489,226</u>	<u>6,477,334</u>
Represented by:		
Cash and short-term investments	6,022,539	5,155,405
Cash – Restricted funds	<u>1,466,687</u>	<u>1,321,929</u>
	<u>7,489,226</u>	<u>6,477,334</u>

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

1. Purpose

The Victoria Cool Aid Society (the "Society") was incorporated October 28, 1976 under the Society Act of British Columbia. The purpose of the Society is to end homelessness in Victoria by working in partnership with others to develop community solutions. The Society provides a continuum of care that includes supportive housing, the provision of emergency shelter and the delivery of holistic and integrated health care and support services. The Society serves individuals facing multiple barriers of poverty, mental illness and addiction. The Society actively participates in a variety of networks committed to improving services and influencing policy for an improved quality of life in the community.

The Society is a registered charity under the Income Tax Act and as such is not subject to taxation.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

a) Revenue Recognition

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

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned. Contributions to endowment funds held by a foundation of which the Society is a beneficiary are not recognized as revenue.

b) B.C. Housing Replacement Reserves

B.C. Housing replacement reserves are accounted for in accordance with the B.C. Housing Financial Responsibilities Guide. This requires that contributions from B.C. Housing for replacement reserves be recognized as revenue when they are received and then transferred to externally restricted replacement reserves. The replacement reserves are increased by interest earned on these funds and reduced by purchases of eligible items included in B.C. Housing's Standardized List of Replacement Reserve items.

c) Contributed Materials and Services

The Society receives contributions of both materials and services. However, due to the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

d) Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

2. Summary of Significant Accounting Policies (continued)

e) Joint Arrangement

The Society has an agreement with Vancouver Island AIDS Society to jointly operate the Access Health Centre at 713 Johnson Street, a building owned by both parties. The Society recognizes its two-third share of the assets, liabilities, revenues, and expenses relating to the project in its statements of financial position and operations.

f) Property and Equipment

Property and equipment are recorded at cost. Except for the housing developments under B.C. Housing's Homeless at Risk Housing Program, amortization is provided over the estimated useful life of the assets as follows:

Building improvements	25 years straight-line
713/715 Johnson St. Building	25 years straight-line
Pandora Gymnasium	25 years straight-line
Furniture and equipment	5 years straight-line
Computer hardware/software, Vehicles	5 years straight-line

At the time of acquisition B.C. Housing required that amortization of the buildings on the following Homeless at Risk housing developments be equal to the principal reduction on the mortgage for the fiscal year: Swift & Store Street, Pandora, Johnson Manor, Fairway Woods, Hillside Terrace, Next Steps, Mike Gidora Place, and Cedar Grove. The Society continues to apply this amortization policy.

No amortization is taken in the year of acquisition.

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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results could differ from those estimates.

h) Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable, bank loan payable, long-term debt and forgivable debt.

i) Employee Future Benefits

The Society and its employees contribute to the Municipal Pension Plan, a multi-employer plan for group benefits. Defined contribution plan accounting is applied to multi-employer defined benefit plans and accordingly, contributions to these plans are expensed.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

3. Cash and Short-term Investments

Cash and short-term investments include a deposit in the B.C. Non Profit Housing Association Pooled for Increased Earnings Program (PIE) of \$2,693,607 earning interest at prime less 1.65% (prime rate 2.7%). The PIE Program is invested with Vancity Savings Credit Union. The investment has no fixed term, no notice requirement or withdrawal penalty. Deposits are guaranteed by the Credit Union Deposit Insurance Corporation of B.C.

4. Cash – Restricted Funds

	2017	2016
	\$	\$
Replacement Reserves – B.C. Housing	1,282,879	1,163,655
Replacement Reserves – Shelters	30,504	30,327
Mike Gidora Vision Fund	27,970	27,947
Carl Young Pets In Need	25,334	-
Gaming Fund	100,000	100,000
	<u>1,466,687</u>	<u>1,321,929</u>

Replacement Reserves – B.C. Housing

Under the terms of the operating agreement with B.C. Housing, the Society is required to maintain a replacement reserve for major repair and furnishing replacements for the housing facilities referred to as Swift House, Pandora, Fairway Woods, Hillside Terrace, Johnson Manor, Mike Gidora Place, Olympic Vista, Transitional Housing-Rock Bay Landing and Cottage Grove. The replacement reserve accounts are to be credited in the amount determined by the annual budget plus interest earned. This is done by an annual transfer from operations. These funds along with the accumulated interest must be held in a separate bank account. The reserve funds may only be used for repairs and replacements in accordance with the operating agreement. The corresponding net assets are reflected in Externally Restricted Replacement Reserves – B.C. Housing.

During the year the B.C. Housing replacement reserves were fully funded and maintained in accordance with the operating agreements and all interest accruing to the funds has been recorded.

Replacement Reserves – Shelters

The Society maintains a replacement reserve for the purpose of providing extraordinary or major repairs and furnishing replacements for the shelter facilities. These funds earn interest and are maintained in a separate bank account.

Cash – Mike Gidora Vision Fund

The Mike Gidora Vision Fund was originally created within the Cool Aid Foundation to honour the memory and spirit of Mike Gidora. Mike believed that individuals can find strength within themselves to create positive change; he had the ability to see things, not only as they are, but as they could be. This fund supports Cool Aid clients who are struggling, to create or sustain a positive change in their circumstance. These funds earn interest and are maintained in a separate bank account.

Cash – Carl Young Pets In Need

The Society was the sole beneficiary of the estate of Carl Young. In keeping with the wishes of Mr. Young, the Society established the Carl Young Pets In Need Fund with a portion of the proceeds from his estate. The Fund will be available to assist current and former tenants and clients with pet expenses such as pet food, veterinary bills and other pet-related expenses.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

4. Cash – Restricted Funds (continued)

Cash - Gaming Fund

The Society maintains a fund received from Gaming and Enforcement Branch of the Provincial Government, and gaming fund contributions from other organizations for the purpose of assistance with the operating of the Downtown Community Activity Centre and the REES Program or as designated by the contributor. These funds earn interest and are maintained in a separate bank account.

5. Long-term Accounts Receivable

The Society has long-term accounts receivable consisting of \$19,728 (2016: \$19,728) held in trust by B.C. Housing.

The Society also has long-term accounts receivable from Vancouver Island AIDS Society for amounts contributed by the Society to the Access Health Centre construction project of \$188,142 (2016: \$188,142). This amount is repayable by Vancouver Island AIDS Society in the event of a sale of their interest in the building at 713 Johnson Street.

6. Prepaid Leases

The Society leases the property on which the 753/755/757 Pandora building and gymnasium were constructed. The \$1,130,000 lease was prepaid by the Society and the lease expires on January 31, 2056.

The Society leases the property on which Johnson Manor was constructed. The \$575,000 lease was prepaid by the Society and the lease expires on September 14, 2061.

7. Property and Equipment

	2017		2016	
	\$		\$	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	11,357,712		2,725,525	-
Buildings				
467 Swift & 1634 Store Street	11,481,793	3,973,546	11,481,793	3,611,052
753/755/757 Pandora Avenue (Pandora)	3,014,420	1,187,521	3,014,420	1,089,576
749 Pandora Avenue (Mike Gidora Place)	2,980,509	1,343,378	2,968,437	1,264,485
1153 Johnson Street (Johnson Manor)	1,901,300	326,804	1,901,300	297,080
597 Goldstream Avenue (Fairway Woods)	3,554,757	631,884	3,554,757	545,815
713 Johnson Street (Access Health Centre)	3,102,976	880,895	3,102,976	756,777
1460 Hillside Avenue (Hillside Terrace)	6,947,436	1,184,866	6,947,436	1,034,566
2317 Dowler Place (Next Steps)	393,263	164,340	393,263	143,779
210 Gorge Road East (Cedar Grove)	243,072	243,072	243,072	243,072
Furniture, equipment and computers	1,202,651	1,099,488	1,162,504	1,075,322
Vehicles	114,644	85,113	114,644	72,342
	46,294,533	11,120,907	37,610,127	<u>10,133,866</u>
Less: Accumulated amortization	<u>11,120,907</u>		<u>10,133,866</u>	
Net Book Value	<u>35,173,626</u>		<u>27,476,261</u>	

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

7. Property and Equipment (continued)

The land values include property at 749 Pandora Avenue, 713 Johnson Street, 2317 Dowler Place, 210 Gorge Road East, and the 2017 addition of 3020 Douglas Street.

During the year the British Columbia Housing Management Commission (BCHMC) made available to the Society a forgivable loan to facilitate the purchase of the property located at 3020 Douglas Street. The former hotel site will provide 51 temporary supportive housing units. The Society plans to redevelop the site in five to seven years in consultation with the community and BCHMC to provide permanent supportive housing thereafter.

The Swift and Store Street building (467 Swift & 1634 Store Street) provides facilities for Swift House Apartments. The building is situated on property leased from the Provincial Rental Housing Corporation. The lease required a single payment of \$377,800 in 1991, which was included in the cost of the building. The lease expires in 2051.

Mike Gidora Place is situated on property that includes a portion donated by the City of Victoria in 1999 with a fair market value of \$393,000.

Fairway Woods, a supportive housing facility, is situated on property leased from the Island Health Authority for a dollar, with the use of land restricted to affordable housing.

The 713 Johnson Street building represents the Society's share (in partnership with Vancouver Island AIDS Society) of the site for the Access Health Centre, which houses Cool Aid's Community Health Centre, Dental Clinic and Pharmacy. These financial statements reflect only the Society's proportionate interest in the costs incurred.

Hillside Terrace, a senior's supportive housing facility, is situated on property leased from the Island Health Authority for \$10, with the first floor leased back to Island Health Authority for \$10.

8. Deferred Contributions

Deferred contributions represent contributions received in the current year that are related to a subsequent year. Changes in the deferred contributions balance are as follows:

	2017	2016
	\$	\$
Beginning balance	2,339,030	1,581,001
Less: Amounts recognized as revenue in the year	(1,174,593)	(1,250,169)
Amounts transferred from deferred capital contributions		252,399
Amount received related to the following years	1,918,653	1,755,799
Ending balance	<u>3,083,090</u>	<u>2,339,030</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

9. Deferred Contributions Related To Restricted Funds

Deferred contributions represent contributions received in the current year that are related to a subsequent year and for a restricted purpose. Changes in the deferred contributions related to restricted fund balances are as follows:

	M. Gidora Vision Fund \$	C. Young Pets In Need \$	Gaming \$	2017 \$	2016 \$
Beginning balance	27,947	-	100,018	127,965	128,917
Less: Amounts recognized as revenue in the year	(1,125)	-	(100,018)	(101,143)	(101,303)
Amount received related to the following years	1,150	25,338	100,033	126,521	100,351
Ending balance	<u>27,972</u>	<u>25,338</u>	<u>100,033</u>	<u>153,343</u>	<u>127,965</u>

10. Deferred Contributions Related to Land Lease

Deferred contributions relate to funding received in prior years for the lease on the Pandora property as described in Note 6. The contribution is being amortized to revenue over 25 years from the start of the lease (October 1997).

11. Deferred Contributions Related to Property and Equipment

Deferred contributions related to property and equipment represent contributions restricted to acquiring property and equipment. Deferred contributions are amortized on the same basis as the related property and equipment. The changes in the deferred contributions balance for the year are as follows:

	2017 \$	2016 \$
Beginning balance	6,540,305	7,043,742
Add: Contributions related to property and equipment	34,753	65,135
Less: Amounts reclassified to deferred contributions	-	(252,399)
Less: Amounts amortized to revenue	(336,428)	(311,965)
Less: Amount recognized to net assets	-	(4,207)
Ending balance	<u>6,238,630</u>	<u>6,540,305</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

11. Deferred Contributions Related to Property and Equipment (continued)

The Society's share of total contributions received for the construction of the Access Health Centre of \$2,947,306 (2016: \$2,944,305) have been deferred as part of deferred contributions related to property and equipment for the year. These contributions include funding from the Island Health Authority, the Capital Regional Hospital District (CRHD), the Province of British Columbia, United Way of Greater Victoria, Victoria Foundation, City of Victoria, B.C. Housing, Civic Heritage Trust, Coast Capital Savings Credit Union, and contributions from members of the community.

12. Long-term Debt

	2017	2016
	\$	\$
PEOPLES TRUST mortgage on Pandora Avenue, 3.84%, repayable in blended monthly payments of \$13,495, due November 1, 2023, secured by a first charge in the leasehold interest, building and contents of the building at 753, 755, 757 Pandora Avenue and an assignment of rents.	1,894,579	1,982,517
B.C. HOUSING MANAGEMENT COMMISSION mortgage on Store Street, 3.15%, repayable in blended monthly payments of \$12,648, due June 1, 2021.	1,189,082	1,301,802
B.C. HOUSING MANAGEMENT COMMISSION mortgage on Swift Street, 3.15%, repayable in blended monthly payments of \$8,086, due June 1, 2021.	760,233	832,299
MCAP, mortgage on Mike Gidora Place, 2.439%, repayable in blended monthly payments of \$10,554, due September 1, 2025, secured by a first charge on the property and contents of the building at 749 Pandora Avenue and an assignment of rents.	2,119,941	2,194,165
FIRST NATIONAL FINANCIAL, mortgage on Fairway Woods, 3.53%, repayable in blended monthly payments of \$10,229, due August 1, 2023, secured by a first charge on the land at 547 Goldstream Avenue and an assignment of rents.	1,847,008	1,903,944
MCAP mortgage on Gorge Road, 3.43%, repayable in monthly payments of \$3,763, maturing April 1, 2024, secured by a first charge on the property and contents of the building at 210 Gorge Road East.	798,125	815,775
TORONTO DOMINION BANK mortgage on Dowler Place, 2.649%, monthly payments of \$1,804, due September 1, 2017, secured by a first charge on the property and contents of the building at 2317 Dowler Place.	401,695	412,605
Subtotal – carried forward	9,010,663	9,443,107

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

12. Long-term Debt (continued)

	2017 \$	2016 \$
Brought forward	9,010,663	9,443,107
 TORONTO DOMINION BANK mortgage on Hillside Terrace, 3.518%, repayable in blended monthly payments of \$23,749, due February 1, 2023, secured by a first charge in the leasehold interest, building and contents of the building at 1460 Hillside Avenue and an assignment of rents.	 4,615,050	 4,736,518
 GREAT-WEST LIFE ASSURANCE COMPANY mortgage on Johnson Manor, 5.26%, repayable in blended monthly payments of \$11,967, due January 1, 2020, secured by a first charge in the leasehold interest, building and contents of the building at 1153 Johnson Street and an assignment of rents.	 1,774,290	 1,824,156
 MCAP mortgage on Store/Swift Street, 2.15%, repayable in blended monthly payments of \$6,895, due March 1, 2025, secured by an interest in the appliances, mechanical equipment and fixtures.	 1,741,652	 1,786,596
 ROYAL BANK OF CANADA mortgage on Store/Swift Street, 3.04%, repayable in blended monthly payments of \$9,436, due June 1, 2022, secured by an assignment of rents.	 <u>2,247,274</u>	 <u>2,291,884</u>
	19,388,929	20,082,261
Less: Current Portion	<u>1,105,431</u>	<u>691,542</u>
	<u>18,283,498</u>	<u>19,390,719</u>

The B.C. Housing Management Commission mortgages place a charge on the Swift and Store Street building, furnishings and equipment, fire and B.C. Housing insurance and housing unit's rentals. The monthly mortgage payment is offset by a grant from B.C. Housing resulting in an effective annual interest rate of 2%.

Principal repayments required on long-term debt for the next five years are as follows:

<u>Year</u>	<u>Amount \$</u>
2018	1,105,431
2019	727,567
2020	2,360,466
2021	716,519
2022	1,679,470
Thereafter	<u>12,799,476</u>
	<u>19,388,929</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

13. Forgivable Debt

	2017 \$	2016 \$
CANADA MORTGAGE AND HOUSING COMMISSION forgivable mortgage on Cedar Grove, 7.875%, forgivable at \$24,453 per annum to April 1, 2019 provided the Society fulfills the terms of the agreement.	50,945	71,322
CANADA MORTGAGE AND HOUSING COMMISSION forgivable mortgage on Dowler Place, 8.125%, forgivable at \$7,200 per annum to January 1, 2019 provided the Society fulfills the terms of the agreement.	13,200	21,000
BCHMC Forgivable Loan 3020 Douglas Street – payments on account of principal and interests under the loan will be forgiven, provided the property is continuously used for the intended purpose and no default under the loan or operating agreement. The loan will be forgiven 1/10 each year, commencing in the 11th year. Term 20 years, to end March 31, 2037.	<u>8,632,187</u>	-
	<u>8,696,332</u>	<u>92,322</u>

14. Financial Instruments and Risk Management

At March 31, 2017, the estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated their respective carrying values due to their short-term nature.

Short-term investments are recorded at market value based on quoted market prices at the statement of financial position date. Any unrealized gains and losses arising from the adjustment to market value are recognized in the statement of operations for the current period.

The carrying values of the bank loan payable and long-term debt approximate their fair values because interest charges under the terms of the loans are based on current Canadian bank lending rates.

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Society's risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Society to credit risk consist primarily of accounts receivable. Accounts receivable are not concentrated with any single party, and therefore the Society is not subject to any significant concentration of credit risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is not exposed to significant currency risks arising from its financial instruments.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

14. Financial Instruments and Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Society to interest rate risk consist primarily of long-term debt. The Society manages this risk by having a substantial amount of its long-term debt at fixed rates of interest.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Society's cash requirements. Additional cash requirements are met with bank borrowings under long-term credit arrangements. The Society is not exposed to significant liquidity risks.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to significant other price risk.

15. Net Assets Invested In Property and Equipment

The Society's investment in property and equipment is calculated as follows:

	2016	2015
	\$	\$
Property and equipment (<i>Note 7</i>)	35,173,626	27,476,261
Accounts receivable, B.C. Housing (<i>Note 5</i>)	19,728	19,728
Less amounts financed by:		
Accounts payable	(25,376)	-
Loan and mortgages payable	(27,243,198)	(19,322,295)
Direct increase in net assets related to land	84,975	43,552
Deferred capital contributions (<i>Note 11</i>)	(6,238,630)	(6,540,305)
	<u>1,771,125</u>	<u>1,676,940</u>

16. Net Assets Internally Restricted

Internally restricted funds include a reserve for Health Services expansion and new initiatives; a Building and Equipment reserve to cover renovations and furniture replacements for programs that are not covered by other reserves; a Shelter Facilities reserve for providing major repairs and furnishing replacements; and a Housing Development fund to support the strategic goals of the Society to end homelessness through housing development initiatives.

Upon completion of the transfer of ownership of the Cottage Grove housing initiative to BC Housing, the Housing Development Fund was replenished with the funds initially utilized for the land purchase. This fund will be available to leverage the startup of additional projects outlined in Cool Aid's Housing Development Plan.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

16. Net Assets Internally Restricted (continued)

The balance of net assets internally restricted is comprised of the following:

	Building & Equipment \$	Health Services Fund \$	Shelters Reserve \$	Housing Development Fund \$	2017 \$	2016 \$
Beginning balance	108,936	199,145	30,329	1,000,000	1,338,410	338,113
Less: Amounts used in the year	-	-	-	-	-	-
Add: Contributions in the year	-	-	180	-	180	1,000,297
Ending Balance	108,936	199,145	30,509	1,000,000	1,338,590	1,338,410

17. Endowment Funds

The Society established a Hosted Endowment Fund (Cool Aid Housing, Health, and Shelter & Community Services Fund) with the Victoria Foundation in 2008. The funds are managed for the benefit of the Society and are held permanently. Gifts are made from time to time as determined by the Society or in accordance with the wishes of contributors. The Fund earns investment income in accordance with the Investment Policy of the Victoria Foundation. Distributions from the fund are determined by the Distribution Policy of the Victoria Foundation.

In 2015 the Society established a Hosted Endowment Fund with the Vancouver Foundation. Management and intention of this fund are the same as those of the Victoria Foundation Endowment Fund. The purpose of this fund is to enhance giving opportunities for those contributors outside of the Victoria area.

In 2016 the Society established a Hosted Endowment fund with the Victoria Foundation for the operation of the Pets In Need Fund (Carl Young). The initial gift for this fund was provided by the Carl Young estate. In keeping with Mr. Young's wishes, the fund was established to assist current and former tenants and clients with pet expenses such as pet food, veterinary bills and other pet-related expenses.

Contributions, investment income and grants paid are reported in the Cool Aid Housing, Health, Shelter & Community Fund by the Victoria Foundation and Vancouver Foundation and the Pets In Need Fund (Carl Young) by the Victoria Foundation.

	Victoria Foundation \$	Vancouver Foundation \$	Victoria Foundation Pets In Need \$	2017 \$	2016 \$
Beginning balance	143,075	10,177	-	153,252	139,463
Contributions	35,264	-	25,000	60,264	113,422
Grants paid	(12,450)	-	-	(12,450)	(97,524)
Net investment returns	21,379	(86)	920	22,213	(2,109)
Ending Balance	187,268	10,091	25,920	223,279	153,252

Fund values are reported at market value as at March 31.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2017 with comparative figures for 2016

18. Tenant Rent

The Society has on file verification of the income and assets of tenants as required by the operating agreements with B.C. Housing. The tenant rent contributions, as approved by B.C. Housing, are being charged correctly to the rent-gear-to-income tenants.

19. Employee Future Benefits

The Society and its employees are members in the Municipal Pension Plan (the “pension plan”), a joint trustees pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation as at December 31, 2015 indicated an unfunded liability. The actuary does not attribute portions of the unfunded liability to individual employers. The Society paid \$666,452 (2016 - \$668,689) for employer contributions to the plan in fiscal 2017. The employer contribution rate is 9.79% of pensionable earnings (2016 – 9.64%).

20. Remuneration of employees and contractors

Under the new Societies Act, which came into effect November 28, 2016, societies must disclose remuneration paid to directors, and to employees and contractors whose remuneration was at least \$75,000 for the fiscal year.

During the year, there were eight employees who met this criterion, and the total amount of remuneration paid to these persons was \$738,495. (During the prior year, there were eight employees who met this criterion, and the total amount of remuneration paid to these persons was \$733,887).

During the year, there were eight contractors who met this criterion, and the total amount of remuneration paid to these contractors was \$1,070,336. (During the prior year, there were eight contractors who met this criterion, and the total amount of remuneration paid to these contractors was \$995,390).

21. Lease Commitments

The Society has operator agreements with B.C. Housing to deliver services at Queens Manor, Swift House, Rock Bay Landing, Desmond House, Olympic Vista and Cottage Grove.

22. B.C. Housing Accumulated Operating Surplus

Some operating agreements with B.C. Housing may require the Society to manage accumulated operating surpluses for projects or services. All accumulated operating surpluses are accounted for and spent as required in the operating agreement.

23. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Victoria Cool Aid Society

Schedule 1

Statement of Changes in Externally restricted Replacement Reserves – B.C. Housing

Year ended March 31, 2017 with comparative figures for 2016

	Fairway Woods \$	Hillside Terrace \$	Johnson Manor \$	Mike Gidora Place \$	Olympic Vista \$	Pandora \$	Rock Bay Landing \$	Swift House \$	Cottage Grove \$	2017 Total \$	2016 Total \$
Balance, Beginning of year	144,858	169,487	144,024	61,889	36,786	321,713	93,135	153,117	-	1,125,009	1,013,812
Add:											
Transfer from operations for the year (Note 4)	15,828	32,400	14,976	7,125	8,408	28,800	16,822	21,455	5,400	151,214	148,921
Interest income	883	1,051	875	377	227	1,951	571	935	-	6,870	10,081
Less:											
Amounts expended on replacement reserve	-	(8,754)	(12,091)	(17,206)	-	(13,628)	-	-	-	(51,679)	(38,716)
Amount expended related to prior year	-	-	-	-	-	-	-	-	-	-	(9,089)
Balance, end of year	161,569	194,184	147,784	52,185	45,421	338,836	110,528	175,507	5,400	1,231,414	1,125,009
Purchase of replacement items for the year consist of:											
Flooring	-	4,320	5,644	11,030	-	2,019	-	-	-	23,013	13,158
Heating and hot water	-	-	1,695	-	-	8,680	-	-	-	10,375	19,219
Window coverings	-	3,836	329	4,320	-	26	-	-	-	8,511	659
Painting	-	73	441	1,856	-	-	-	-	-	2,370	-
Countertops	-	-	560	-	-	-	-	-	-	560	-
Appliances	-	525	2,986	-	-	2,903	-	-	-	6,414	2,045
Decking, gutters	-	-	436	-	-	-	-	-	-	436	-
Special repairs	-	-	-	-	-	-	-	-	-	-	3,635
	-	8,754	12,091	17,206	-	13,628	-	-	-	51,679	38,716

Victoria Cool Aid Society

Schedule 2

Schedule of Housing Fund Surplus Accounts

Year ended March 31, 2017 with comparative figures for 2016

	Hillside Terrace \$	Sandy Merriman House \$	Next Steps \$	Rock Bay Landing (ESP) \$	Rock Bay Landing (PHI) \$	Mount Edwards Court \$	HOP RS \$	Cool Aid Seasonal Shelter \$	Swift House \$	Total 2017 \$	Total 2016 \$
Financial review closing balance March 31, 2016	(398,853)	99,280	(58,148)	(32,814)	(7,209)	-	-	-	-	(397,744)	(269,183)
Financial review adjustments 2016	(91)	-	(22)	(973)	10,810	14,041	51,333	-	3,148	78,246	(35,249)
Revised accumulated surplus (deficit) 2016	(398,944)	99,280	(58,170)	(33,787)	3,601	14,041	51,333	-	3,148	(319,498)	(304,432)
Accumulated surplus (deficit) beginning	(398,944)	99,280	(58,170)	(33,787)	3,601	14,041	51,333	-	3,148	(319,498)	(304,432)
Current year operating surplus (deficit)	(32,543)	20,007	51,106	(935)	(11,276)	113,754	-	3,290	(675)	142,728	(6,679)
Accumulated surplus spent:	-	-	-	-	-	-	(40,679)	-	-	(40,679)	(86,633)
Accumulated surplus (deficit), end of year	(431,487)	119,287	(7,064)	(34,722)	(7,675)	127,795	10,654	3,290	2,473	(217,449)	(397,744)