

Financial Statements of

Victoria Cool Aid Society

Year Ended March 31, 2016

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, 2016 and the statements of operations and changes in net assets and cash flows for the year ended March 31, 2016 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, 2016 and the results of its operations and changes in net assets and cash flows for the year ended March 31, 2016 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 9, 2016
Victoria, B.C.

Chartered Professional Accountants

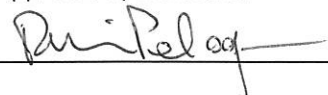
Victoria Cool Aid Society

Statement of Financial Position

As at March 31, 2016 with comparative figures for 2015

	2016 \$	2015 \$
Assets		
Current		
Cash and short-term investments (Note 3)	5,155,405	3,288,882
Accounts receivable	685,414	472,327
Inventory	113,413	82,070
Prepaid expenses	56,425	60,799
	<hr/>	<hr/>
	6,010,657	3,904,078
Cash – Replacement Reserves – B.C. Housing (Note 4)	1,163,655	1,104,806
Cash – Replacement Reserves – Shelters (Note 5)	30,327	30,030
Cash – Mike Gidora Vision Fund (Note 6)	27,947	28,878
Cash – Gaming Fund (Note 7)	100,000	100,000
Long-term accounts receivable (Note 8)	207,870	207,870
Prepaid leases (Note 9)	539,133	607,333
Property and equipment (Note 10)	27,476,261	29,615,952
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Total assets	35,555,850	35,598,947
Liabilities		
Current		
Bank loan payable	125,617	152,683
Accounts payable and accrued liabilities	1,664,815	1,513,869
Government remittances payable	81,495	126,545
Security deposits	121,421	122,995
Deferred contributions (Note 11)	2,339,030	1,581,001
Current portion of long-term debt (Note 14)	723,195	2,894,459
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	5,055,573	6,391,552
Deferred contributions related to Mike Gidora Vision (Note 11)	27,947	28,880
Deferred contributions related to gaming (Note 11)	100,018	100,037
Deferred contributions related to land lease (Note 12)	158,522	182,910
Deferred contributions related to property and equipment (Note 13)	6,540,305	7,043,742
Long-term debt (Note 14)	19,451,388	17,980,890
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Total liabilities	31,333,753	31,728,011
Net Assets		
Invested in property and equipment (Note 16)	1,676,940	2,574,070
Externally restricted replacement reserves – B.C. Housing (Note 4)	1,125,009	1,013,812
Internally restricted (Note 17)	1,338,410	338,113
Unrestricted	81,738	(55,059)
	<hr/>	<hr/>
Total net assets	4,222,097	3,870,936
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Total liabilities and net assets	35,555,850	35,598,947

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, 2016 with comparative figures for 2015

	2016	2015
	\$	\$
Revenue		
B.C. Housing Management Commission	8,206,911	7,915,120
Pharmacy revenue	4,786,179	2,344,021
Island Health Authority	3,473,565	3,314,662
Rental income and occupancy fees	2,083,251	2,054,855
Island Health Authority - physician	904,400	817,045
Forensic Psychiatric Services Commission	693,308	693,308
Fees - dental	658,809	663,086
Donations	381,596	208,578
Amortization of deferred contributions	336,351	364,463
Research grants	170,350	201,008
Other	162,237	129,824
United Way	127,930	110,603
Other grants	103,930	102,754
Gaming - Direct Access	100,000	100,000
Utilization of deferred revenue	96,832	108,435
CMHC Loan Forgiveness	42,388	43,975
Investment income	37,941	42,197
	<u>22,365,978</u>	<u>19,213,934</u>
Expenses		
Salaries and benefits	11,336,570	11,039,348
Supplies and equipment - health centre	4,095,598	1,741,356
Building occupancy costs	1,674,980	1,737,114
Amortization	1,049,217	1,030,414
Program expense and client support	1,035,804	956,171
Physician fees	904,398	817,076
Mortgage interest and loan fees	695,008	745,823
Dentist fees	295,847	278,312
Professional fees	176,631	80,075
Amounts transferred to replacement reserves	148,921	148,916
Office supplies and equipment	148,005	144,926
Computer consultant	145,690	153,684
Advertising, promotion, and fundraising	121,954	103,065
Travel and vehicle expenses	109,576	93,141
Gaming expense	101,024	101,361
Staff development and training	55,054	78,136
Miscellaneous	33,225	8,223
Licenses, memberships and dues	25,866	21,589
Bank charges and interest	19,414	17,952
	<u>22,172,782</u>	<u>19,296,682</u>
Excess (deficiency) of revenue over expenses from operations	193,196	(82,748)

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, 2016 with comparative figures for 2015

	Invested in Property and Equipment <i>(Note 16)</i> \$	Externally Restricted B.C. Housing <i>(Schedule 1)</i> \$	Internally Restricted <i>(Note 17)</i> \$	Endowment Fund <i>(Note 18)</i> \$	Unrestricted \$	2016 Total \$	2015 Total \$
Balance, beginning of year	2,574,070	1,013,812	338,113	-	(55,059)	3,870,936	3,859,902
Allocation of income:							
Excess (deficiency) of revenues over expenses	-	-	-	-	193,196	193,196	(82,748)
Transfers between funds:							
Amortization of property and equipment, net	(598,067)	-	-	-	598,067	-	-
Interest income and bank charges	-	10,081	297	-	(10,378)	-	-
Investment in property and equipment <i>(Note 16)</i>	(346,823)	-	1,000,000	-	(653,177)	-	-
Transfers to (from) replacement reserves:							
Amounts expended to replacement reserve	-	(47,805)	-	-	9,089	(38,716)	(91,060)
Replacement reserve provision <i>(Note 4)</i>	-	148,921	-	-	-	148,921	148,916
Direct increases (decreases) to net assets:							
Endowment funds received <i>(Note 18)</i>	-	-	-	9,385	-	9,385	37,453
Endowment funds transferred <i>(Note 18)</i>	-	-	-	(9,385)	-	(9,385)	(37,453)
Contributions related to land	47,760	-	-	-	-	47,760	35,926
	(897,130)	111,197	1,000,297	-	136,797	351,161	11,034
Balance, end of year	1,676,940	1,125,009	1,338,410	-	81,738	4,222,097	3,870,936

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Cash Flows

Year ended March 31, 2016 with comparative figures for 2015	2016 \$	2015 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	193,196	(82,748)
Items not involving cash:		
Amortization	1,049,217	1,030,414
Amortization of deferred contributions	(336,351)	(364,463)
Amortization of forgivable CMHC mortgage	(31,653)	(31,653)
Transfers to replacement reserves	110,205	57,856
Cash provided by (used in) changes in non-cash working capital items:		
Accounts receivable	(213,087)	(123,244)
Prepaid expenses	4,374	18,704
Inventory	(31,343)	4,927
Accounts payable and accrued liabilities	150,946	260,196
Government remittances payable	(45,050)	22,834
Security deposits	(1,574)	(650)
Deferred contributions	804,837	62,278
	<u>1,653,717</u>	<u>854,451</u>
Cash flows from financing and investing activities:		
Mortgage and construction financing	(696,179)	(684,706)
Proceeds from disposition of property	1,430,590	-
Construction and purchase of property and equipment, net	(271,916)	(284,041)
Deferred contributions related to property and equipment	(191,474)	223,090
	<u>271,021</u>	<u>(745,657)</u>
Net increase in cash	1,924,738	108,794
Cash, beginning of year	<u>4,552,596</u>	<u>4,443,802</u>
Cash, end of year	<u>6,477,334</u>	<u>4,552,596</u>
Represented by:		
Cash and short-term investments	5,155,405	3,288,882
Cash – Replacement reserve – B.C. Housing	1,163,655	1,104,806
Cash – Replacement reserve – Shelters	30,327	30,030
Cash – Mike Gidora Vision Fund	27,947	28,878
Cash – Gaming Fund	100,000	100,000
	<u>6,477,334</u>	<u>4,552,596</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, 2016 with comparative figures for 2015

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, 2016 with comparative figures for 2015

2. Summary of Significant Accounting Policies (continued)

e) Joint Venture

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 accounts for its two-third share of the assets, liabilities, revenues, and expenses relating to the project using the proportionate consolidation method.

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 and long-term 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, 2016 with comparative figures for 2015

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 \$2,663,401 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 – 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. 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.

5. Cash – 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.

6. Cash – Mike Gidora Vision Fund

The Society maintains a fund donated by the Cool Aid Foundation for the purpose of providing direct support to clients of the Society. These funds earn interest and are maintained in a separate bank account.

7. 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.

8. Long-term Accounts Receivable

The Society has long-term accounts receivable consisting of \$19,728 (2015: \$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 (2015: \$188,142). These amounts are repayable by Vancouver Island AIDS Society in the event of a sale of their interest in the building at 713 Johnson Street.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

9. 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.

10. Property and Equipment

	2016		2015	
	\$		\$	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	2,725,525	-	3,831,418	-
Buildings				
467 Swift & 1634 Store Street	11,481,793	3,611,052	11,370,268	3,266,432
753/755/757 Pandora Avenue (Pandora)	3,014,420	1,089,576	3,014,420	994,926
749 Pandora Avenue (Mike Gidora Place)	2,968,437	1,264,485	2,968,437	1,189,806
1153 Johnson Street (Johnson Manor)	1,901,300	297,080	1,901,300	270,349
597 Goldstream Avenue (Fairway Woods)	3,554,757	545,815	3,554,757	462,687
713 Johnson Street (Access Health Centre)	3,102,976	756,777	3,102,976	632,658
1460 Hillside Avenue (Hillside Terrace)	6,947,436	1,034,566	6,947,436	889,443
2317 Dowler Place (Next Steps)	393,263	143,779	393,263	124,703
210 Gorge Road East (Cedar Grove)	243,072	243,072	243,072	243,072
3207-3223 Quadra Street (Cottage Grove)	-	-	257,502	-
Furniture, equipment and computers	1,162,504	1,075,322	1,132,657	1,083,151
Vehicles	114,644	72,342	122,285	66,612
	37,610,127	<u>10,133,866</u>	38,839,791	<u>9,223,839</u>
Less: Accumulated amortization	<u>10,133,866</u>		<u>9,223,839</u>	
Net Book Value	<u>27,476,261</u>		<u>29,615,952</u>	

The land values include property at 749 Pandora Avenue, 713 Johnson Street, 2317 Dowler Place, and 210 Gorge Road East.

3207-3223 Quadra Street project transferred ownership to BC Housing in 2015. The Society was reimbursed by BC Housing for all development costs and purchase price of the land.

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.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

10. Property and Equipment (continued)

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.

11. Deferred Contributions

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

	General \$	Gaming \$	MGP* \$	2016 \$	2015 \$
Beginning balance	1,581,001	100,037	28,880	1,709,918	1,647,639
Less: Amounts recognized as revenue in the year	(1,250,169)	(100,037)	(1,266)	(1,351,472)	(1,241,940)
Amounts transferred from deferred capital contributions	252,399	-	-	252,399	(155,234)
Amount received related to the following years	1,755,799	100,018	333	1,856,150	1,459,453
Ending balance	2,339,030	100,018	27,947	2,466,995	1,709,918

*Mike Gidora Vision Fund

12. 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 9. The contribution is being amortized to revenue over 25 years from the start of the lease (October 1997).

13. 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:

	2016 \$	2015 \$
Beginning balance	7,043,742	7,196,653
Add: Contributions related to property and equipment	65,135	223,090
Less: Amounts reclassified to deferred contributions	(252,399)	-
Less: Amounts amortized to revenue	(311,965)	(340,075)
Less: Amount recognized to net assets	(4,207)	(35,926)
Ending balance	6,540,305	7,043,742

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

13. 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 \$2,944,305 (2015: \$2,938,034) 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.

14. Long-term Debt

	2016 \$	2015 \$
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.	1,982,517	2,067,174
B.C. HOUSING MANAGEMENT COMMISSION mortgage on Store Street, 3.15%, repayable in blended monthly payments of \$12,648, due June 1, 2021.	1,301,802	1,410,873
B.C. HOUSING MANAGEMENT COMMISSION mortgage on Swift Street, 3.15%, repayable in blended monthly payments of \$8,086, due June 1, 2021.	832,299	902,033
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.	2,194,165	2,264,388
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.	1,903,944	1,958,923
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.	71,322	97,814
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.	21,000	27,000
Subtotal – carried forward	<u>8,307,049</u>	<u>8,728,205</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

14. Long-term Debt (continued)

	2016 \$	2015 \$
Brought forward	8,307,049	8,728,205
 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.	 815,775	 832,835
 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.	 412,605	 423,233
 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.	 4,736,518	 4,853,822
 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.	 1,824,156	 1,871,500
 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.	 1,786,596	 1,830,589
 ROYAL BANK OF CANADA mortgage on Store/Swift Street, 3.04%, repayable in blended monthly payments of \$9,436, due June 1, 2020, secured by an assignment of rents.	 <u>2,291,884</u>	 <u>2,335,165</u>
	20,174,583	20,875,349
Less: Current Portion	<u>723,195</u>	<u>2,894,459</u>
	<u>19,451,388</u>	<u>17,980,890</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%.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

14. Long-term Debt (continued)

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

<u>Year</u>	<u>Amount \$</u>
2017	723,195
2018	1,137,038
2019	756,583
2020	2,360,466
2021	2,771,271
Thereafter	<u>12,426,030</u>
	<u>20,174,583</u>

15. Financial Instruments and Risk Management

At March 31, 2016, 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.

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.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

15. Financial Instruments and Risk Management (continued)

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.

16. 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 10</i>)	27,476,261	29,615,952
Accounts receivable, B.C. Housing (<i>Note 8</i>)	19,728	19,728
Less amounts financed by:		
Loan and mortgages payable	(19,322,295)	(20,017,868)
Direct increase in net assets related to land	43,552	-
Deferred capital contributions (<i>Note 13</i>)	(6,540,305)	(7,043,742)
	<u>1,676,940</u>	<u>2,574,070</u>

17. 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.

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

	Building & Equipment	Health Services Fund	Shelters Reserve	Housing Development Fund	2016	2015
	\$	\$	\$	\$	\$	\$
Beginning balance	108,936	199,145	30,032	-	338,113	337,759
Less: Amounts used in the year	-	-	-	-	-	-
Add: Contributions in the year	-	-	297	1,000,000	1,000,297	354
Ending Balance	<u>108,936</u>	<u>199,145</u>	<u>30,329</u>	<u>1,000,000</u>	<u>1,338,410</u>	<u>338,113</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

18. Endowment Funds

The Society established a Hosted Endowment Fund (Cool Aid Housing, Health, 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.

Contributions, investment income and grants paid are reported in the Cool Aid Housing, Health, Shelter & Community Fund by the Victoria Foundation and Vancouver Foundation.

Cool Aid Housing, Health, Shelter & Community Services Funds:

	Victoria Foundation	Vancouver Foundation	2016	2015
	\$	\$	\$	\$
Beginning balance	139,463	-	139,463	102,815
Contributions	103,422	10,000	113,422	27,453
Grants paid	(97,524)	-	(97,524)	(2,141)
Net investment returns	(2,286)	177	(2,109)	11,336
Ending Balance	143,075	10,177	153,252	139,463

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

19. 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-geared-to-income tenants.

20. Employee Future Benefits

The Society and its employees joined 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, 2012 indicated an unfunded liability. The actuary does not attribute portions of the unfunded liability to individual employers. The Society paid \$668,689 (2015 - \$679,009) for employer contributions to the plan in fiscal 2016. The employer contribution rate is 9.64% of pensionable earnings (2015 - 9.78%).

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

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 and Olympic Vista.

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.

Victoria Cool Aid Society

Schedule 1

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

Year ended March 31, 2016 with comparative figures for 2015

	Fairway Woods	Hillside Terrace	Johnson Manor	Mike Gidora Place	Olympic Vista	Pandora	Rock Bay Landing	Swift House	2016 Total	2015 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, Beginning of year	133,333	166,442	127,784	54,227	28,097	286,932	75,589	141,408	1,013,812	949,640
Add:										
Transfer from operations for the year (Note 4)	15,828	32,400	14,976	7,125	8,408	31,929	16,800	21,455	148,921	148,916
Interest income	1,320	1,682	1,264	537	281	2,852	746	1,399	10,081	11,971
Less:										
Amounts expended on replacement reserve	(5,623)	(33,093)	-	-	-	-	-	-	(38,716)	(91,060)
Amount expended related to prior year	-	2,056	-	-	-	-	-	(11,145)	(9,089)	(5,655)
Balance, end of year	144,858	169,487	144,024	61,889	36,786	321,713	93,135	153,117	1,125,009	1,013,812
Purchase of replacement items for the year consist of:										
Flooring	4,152	9,006	-	-	-	-	-	-	13,158	57,298
Heating and hot water	-	19,219	-	-	-	-	-	-	19,219	9,177
Window coverings	-	659	-	-	-	-	-	-	659	984
Painting	-	-	-	-	-	-	-	-	-	4,814
Countertops	-	-	-	-	-	-	-	-	-	1,201
Appliances	1,471	574	-	-	-	-	-	-	2,045	3,735
Decking	-	-	-	-	-	-	-	-	-	5,473
Special repairs	-	3,635	-	-	-	-	-	-	3,635	8,378
	5,623	33,093	-	-	-	-	-	-	38,716	91,060

Victoria Cool Aid Society

Schedule 2

Schedule of Housing Fund Surplus Accounts

Year ended March 31, 2016 with comparative figures for 2015

	Hillside Terrace \$	Sandy Merriman House \$	Next Steps \$	Desmond House \$	Rock Bay Landing (ESP) \$	Rock Bay Landing (PHI) \$	Total 2016 \$	Total 2015 \$
Financial review closing balance March 31, 2015	(344,141)	106,107	(82,048)	(2,052)	52,951	-	(269,183)	(189,554)
Financial review adjustments prior years	-	-	-	-	-	-	-	28,874
Financial review adjustments 2015	(26,340)	-	949	2,052	(14,282)	2,372	(35,249)	-
Revised accumulated surplus (deficit) 2015	(370,481)	106,107	(81,099)	-	38,669	2,372	(304,432)	(160,680)
Accumulated surplus (deficit) beginning	(370,481)	106,107	(81,099)	-	38,669	2,372	(304,432)	(160,680)
Current year operating surplus (deficit)	(28,372)	(6,827)	22,951	-	15,150	(9,581)	(6,679)	(68)
Accumulated surplus spent:								
Downtown Community Seasonal Shelter	-	-	-	-	(86,633)	-	(86,633)	(108,435)
Accumulated surplus (deficit), end of year	(398,853)	99,280	(58,148)	-	(32,814)	(7,209)	(397,744)	(269,183)