

**CHRISTIAN SENIOR CITIZENS HOMES
SOCIETY OF NORTHERN ALBERTA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Members of Christian Senior Citizens Homes Society of Northern Alberta

We have audited the accompanying financial statements of the Christian Senior Citizens Homes Society of Northern Alberta (the "Society"), which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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.

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 accounting standards for not-for-profit organizations. 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 our 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, we consider internal controls 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 controls. 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations and memberships, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Christian Senior Citizens Homes Society of Northern Alberta as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Edmonton, Alberta
April 23, 2014

HAWKINGS EPP DUMONT LLP
Chartered Accountants

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Capital Fund</u>	<u>Total</u>
ASSETS					
Current					
Cash	\$ 451,377	\$ -	\$ -	\$ -	\$ 451,377
Term Deposits (Note 2)	316,381	489,732	198,695	-	1,004,808
Accounts receivable	48,128	-	-	-	48,128
Inventory	9,086	-	-	-	9,086
Prepaid expenses	<u>18,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,749</u>
	843,721	489,732	198,695	-	1,532,148
Mortgage receivable (Note 3)	-	-	-	393,196	393,196
Capital assets (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,463,241</u>	<u>16,463,241</u>
	<u>\$ 843,721</u>	<u>\$ 489,732</u>	<u>\$ 198,695</u>	<u>\$ 16,856,437</u>	<u>\$ 18,388,585</u>
LIABILITIES AND NET ASSETS					
Current					
Accounts payable and accrued liabilities (Note 5)	\$ 248,211	\$ -	\$ -	\$ -	\$ 248,211
Deferred revenue (Note 6)	11,302	-	-	-	11,302
Damage deposits	155,561	-	-	-	155,561
Callable debt due within one year (Note 7)	-	-	-	1,938,885	1,938,885
Current portion of long-term debt (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,158</u>	<u>157,158</u>
	415,074	-	-	2,096,043	2,511,117
Callable debt due beyond one year (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,376,534</u>	<u>5,376,534</u>
	415,074	-	-	7,472,577	7,887,651
Long-term debt (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,125,740</u>	<u>3,125,740</u>
	415,074	-	-	10,598,317	11,013,391
Net assets (deficit)	<u>428,647</u>	<u>489,732</u>	<u>198,695</u>	<u>6,258,120</u>	<u>7,375,194</u>
	<u>\$ 843,721</u>	<u>\$ 489,732</u>	<u>\$ 198,695</u>	<u>\$ 16,856,437</u>	<u>\$ 18,388,585</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

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

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Capital Fund</u>	<u>Total</u>
ASSETS					
Current					
Cash	\$ 303,356	\$ -	\$ -	\$ -	\$ 303,356
Term Deposits (Note 2)	401,160	784,460	189,079	-	1,374,699
Accounts receivable	73,292	-	-	-	73,292
Inventory	7,047	-	-	-	7,047
Prepaid expenses	<u>16,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,435</u>
	801,290	784,460	189,079	-	1,774,829
Mortgage receivable (Note 3)	-	-	-	381,750	381,750
Capital assets (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,680,265</u>	<u>16,680,265</u>
	<u>\$ 801,290</u>	<u>\$ 784,460</u>	<u>\$ 189,079</u>	<u>\$ 17,062,015</u>	<u>\$ 18,836,844</u>
LIABILITIES AND NET ASSETS					
Current					
Accounts payable and accrued liabilities (Note 5)	\$ 212,532	\$ -	\$ -	\$ -	\$ 212,532
Deferred revenue (Note 6)	51,784	-	-	-	51,784
Damage deposits	153,826	-	-	-	153,826
Callable debt due within one year (Note 7)	-	-	-	278,834	278,834
Current portion of long-term debt (Note 8)	-	-	-	152,919	152,919
Current portion of obligation under capital lease (Note 9)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,105</u>	<u>6,105</u>
	418,142	-	-	437,858	856,000
Callable debt due beyond one year (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,612,530</u>	<u>7,612,530</u>
	418,142	-	-	8,050,388	8,468,530
Long-term debt (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,283,458</u>	<u>3,283,458</u>
	418,142	-	-	11,333,846	11,751,988
Net assets	<u>383,148</u>	<u>784,460</u>	<u>189,079</u>	<u>5,728,169</u>	<u>7,084,856</u>
	<u>\$ 801,290</u>	<u>\$ 784,460</u>	<u>\$ 189,079</u>	<u>\$ 17,062,015</u>	<u>\$ 18,836,844</u>

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

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Internally Restricted Funds</u>			<u>Externally Restricted Funds</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Expansion</u>	<u>Kitchen Expansion</u>	<u>Contingency Reserve</u>	<u>Expansion</u>	<u>Replacement Reserve</u>	<u>Capital Fund</u>
Balance, beginning of year	\$ 383,148	\$ 372,275	\$ 152,585	\$ 259,600	\$ -	\$ 189,079	\$ 7,084,856
Net excess of revenue over expenses	837,497	-	-	(116,901)	-	(9,996)	290,338
Purchase of capital assets	(61,499)	-	-	(139,667)	-	(2,072)	-
Addition of mortgage receivable	(11,446)	-	-	-	-	-	11,446
Repayment of long-term debt and obligation under capital lease	(735,529)	-	-	-	-	-	-
Externally imposed capital restriction	(21,684)	-	-	-	-	21,684	-
Internally imposed capital restriction (Note 10)	38,160	(372,275)	(152,585)	486,700	-	-	-
Balance, end of year	\$ 428,647	\$ -	\$ -	\$ 489,732	\$ -	\$ 198,695	\$ 7,375,194

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

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Internally Restricted Funds</u>				<u>Externally Restricted Funds</u>					
	<u>Unrestricted</u>	<u>Expansion</u>	<u>Kitchen Expansion</u>	<u>Contingency Reserve</u>	<u>Expansion</u>	<u>Replacement Reserve</u>	<u>Kitchen Expansion</u>	<u>Capital Fund</u>	<u>Total</u>	
Balance, beginning of year	\$ 174,542	\$ 1,152,287	\$ 246,500	\$ 304,084	\$ -	\$ 215,407	\$ 79,187	\$ 4,724,016	\$ 6,896,023	
Net excess of revenue over expenses	474,083	-	-	-	237,741	(48,012)	(121,282)	(353,697)	188,833	
Purchase of capital assets	(13,719)	(780,012)	(51,820)	-	(237,741)	-	-	1,083,292	-	
Repairs funded from internal reserve	-	-	(42,095)	-	-	-	42,095	-	-	
Addition of mortgage receivable	(11,102)	-	-	-	-	-	-	11,102	-	
Repayment of long-term debt and obligation under capital lease	(263,456)	-	-	-	-	-	-	263,456	-	
Externally imposed capital restriction	(21,684)	-	-	-	-	21,684	-	-	-	
Internally imposed capital restriction (Note 10)	<u>44,484</u>	<u>-</u>	<u>-</u>	<u>(44,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Balance, end of year	<u>\$ 383,148</u>	<u>\$ 372,275</u>	<u>\$ 152,585</u>	<u>\$ 259,600</u>	<u>\$ -</u>	<u>\$ 189,079</u>	<u>\$ -</u>	<u>\$ 5,728,169</u>	<u>\$ 7,084,856</u>	

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

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Revenue - Facility		
Rent	\$ 2,008,873	\$ 1,549,354
Alberta government grants		
Supportive Living	407,805	405,362
Home Living	265,740	291,937
Mortgage subsidy	16,127	16,127
Other	61,238	58,066
Benefit of CMHC low interest loan (Note 8)	52,446	52,680
Meals	289,662	238,768
Residential services	65,125	57,441
Recreation	21,894	17,843
Parking	30,130	22,922
Other income	<u>4,908</u>	<u>1,532</u>
	<u>3,223,948</u>	<u>2,712,032</u>
Expenses - Facility		
Salaries and benefits		
General operations	802,434	742,168
Supportive Living	409,973	329,586
Home Living	245,180	209,718
Interest on long-term debt	458,535	284,909
Amortization	420,262	353,697
Repairs and maintenance	294,004	228,643
Electricity	224,483	180,403
Food and catering	136,656	107,795
Property tax	62,668	57,687
Office supplies	60,775	42,634
Heating	48,974	43,511
Cable	45,141	36,548
Insurance	28,768	26,279
Professional fees	19,319	36,256
Telephone	14,445	15,940
Housekeeping supplies	6,871	5,971
Home Living program costs	3,985	4,754
Supportive Living program costs	2,168	1,215
Amortization of loan fees	<u>-</u>	<u>25,961</u>
	<u>3,284,641</u>	<u>2,733,675</u>
Excess (deficiency) of revenue over expenses - Facility	(60,693)	(21,643)
Society operations (Schedule 1)		
Unrestricted	361,027	142,029
Replacement reserve fund	(9,996)	(48,012)
Expansion fund	-	237,741
Kitchen expansion fund	<u>-</u>	<u>(121,282)</u>
Excess of revenue over expenses	\$ <u>290,338</u>	\$ <u>188,833</u>

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

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Operating Activities		
Excess of revenue over expenses	\$ 290,338	\$ 188,833
Items not affecting cash:		
Amortization of tangible capital assets	<u>420,262</u>	<u>353,697</u>
	710,600	542,530
Changes in non-cash working capital:		
Accounts receivable	25,164	429,466
Inventory	(2,039)	-
Prepaid expenses	(2,314)	20,251
Accounts payable and accrued liabilities	35,679	(1,578,021)
Damage deposits	1,735	78,848
Deferred revenue	<u>(40,482)</u>	<u>44,502</u>
Cash flow from (used by) operating activities	728,343	(462,424)
Investing Activities		
Net change to term deposits	369,891	108,337
Purchase of capital assets	<u>(203,238)</u>	<u>(2,107,415)</u>
Cash flow from (used by) investing activities	166,653	(1,999,078)
Financing activities		
Net change in debt and obligation under capital lease	(735,529)	2,096,690
Change in mortgage receivable	<u>(11,446)</u>	<u>(11,102)</u>
Cash flow from (used by) financing activities	(746,975)	2,085,588
Net increase (decrease) in cash	148,021	(375,914)
Cash, beginning of year	<u>303,356</u>	<u>679,270</u>
Cash, end of year	\$ <u>451,377</u>	\$ <u>303,356</u>

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Purpose of Organization

The Society was formed to provide affordable Christian Seniors housing with assisted living facilities as needed. The Society is a not-for-profit organization incorporated under the Societies Act of Alberta and is a registered charity. The Society qualifies as a non-taxable entity under the Income Tax Act.

Externally restricted funds established in support of the Society's operations can be summarized as follows:

- (i) The replacement reserve fund was created by an agreement with Alberta Social Housing Corporation (ASHC), which requires the Society to maintain a replacement reserve fund for the Centre Wing of the building.

In addition to the externally restricted funds above, the Board has also established internally restricted funds as follows:

- (ii) The contingency fund represents funds to be used for the maintenance and upkeep of the buildings.
- (iii) The capital fund reports the Society's net investment in capital assets.

(b) Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The following policies have been adopted by the Society.

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Contributed Services

Volunteer services contributed on behalf of the Society in carrying out its operating activities are not recognized in these financial statements due to the difficulty of determining their fair value.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount 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 reporting period. Actual results could differ from those estimates and may have an impact on future periods. Significant areas requiring the use of estimates include the determination of the useful life of capital assets.

(e) Financial Instruments

Financial Instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value, with any unrealized gains and losses reported in operations. Investment assets may include equities traded in an active market, bonds and derivatives. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each year-end date and charged to the financial instrument for those measured at amortized cost.

(f) Inventory

Kitchen food supplies and cleaning supplies are stated at the lower of cost and net realizable value using a first-in, first-out inventory assumption.

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as follows:

Buildings	2.5% declining balance basis
Asphalt and parking areas	10% declining balance basis
Furniture and equipment	10% declining balance basis
Organ	20% declining balance basis
Automotive equipment	30% declining balance basis
Computer equipment	30% declining balance basis
Computer software	100% declining balance basis
Assets under capital lease	straight-line over term of lease

Amortization is calculated at half the normal rate in the year of acquisition.

(h) Revenue Recognition

The Society uses the restricted fund method of accounting. Contributions are recognized in the year the contribution is received or receivable if the amount to be recognized can be reasonably estimated and collection is reasonably assured as follows:

- (i) Restricted contributions are recognized as revenue of the applicable restricted fund.
- (ii) Endowment contributions, representing contributions to be maintained in perpetuity as prescribed by donors, are recognized as a direct increase in net assets in the applicable restricted fund.

(Continues)

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue Recognition (Continued)

The unrestricted fund accounts for the Society's operating and administrative activities. Revenue is recognized in the year received or receivable if the amount to be recognized can be reasonably estimated and collection is reasonably assured as follows:

(iii) Rental revenue from suites is recognized on a monthly basis based on the occupancy of the suites.

(iv) Related revenue from residential services, meals, laundry and parking is recognized when the services have been provided.

Deferred revenue is recognized when a commitment fee is collected from an interested tenant. The deferred revenue will be recognized in rental revenue when a suite becomes available and the tenant subsequently moves in.

(i) Government Grants

Government assistance received for the continual support of the Home Living Program and Supportive Living Program are recognized in the same period as the related expenses.

(j) Defined Contribution Plan

The Society maintains a defined RRSP contribution plan for its employees with more than one year of service. The expense for this plan is equal to the Society's required contribution for the year.

(Continues)

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Interest Capitalization

Interest has been capitalized in connection with the construction of the building expansion until the project was substantially complete. The capitalized interest is included as part of the building cost and will be amortized over the asset's estimated useful life.

2. TERM DEPOSITS

Term deposits bear interest at rates between 1.3% - 1.4% (2012 - 1.1% - 1.4%) and mature within one year. The Society only invests in low risk investments to mitigate the risk of loss. Term deposits are held in support of the following balances:

	<u>2013</u>	<u>2012</u>
Deferred revenue (Note 6)	\$ 2,305	\$ 7,000
Unrestricted funds	<u>314,076</u>	<u>394,160</u>
Subtotal - unrestricted funds	316,381	401,160
Internally restricted reserves	489,732	784,460
Externally restricted reserves	<u>198,695</u>	<u>189,079</u>
Total term deposits	<u>\$ 1,004,808</u>	<u>\$ 1,374,699</u>

3. MORTGAGE RECEIVABLE

	<u>2013</u>	<u>2012</u>
Mortgage receivable, secured by real property, bearing interest at 3% per annum with both principal and interest due January 2014.	<u>\$ 393,196</u>	<u>\$ 381,750</u>

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2013 Net Book Value</u>	<u>2012 Net Book Value</u>
Land	\$ 1,189,212	\$ -	\$ 1,189,212	\$ 1,189,212
Buildings	17,860,707	2,810,657	15,050,050	15,311,995
Asphalt and parking areas	63,239	27,115	36,124	40,138
Furniture and equipment	365,969	236,686	129,283	126,676
Organ	15,525	15,131	394	492
Automotive equipment	78,577	25,717	52,860	837
Computer equipment	9,726	9,488	238	341
Computer software	<u>4,856</u>	<u>3,996</u>	<u>860</u>	<u>1,290</u>
	19,587,811	3,128,790	16,459,021	16,670,981
Assets under capital lease	<u>27,852</u>	<u>23,632</u>	<u>4,220</u>	<u>9,284</u>
	<u>\$ 19,615,663</u>	<u>\$ 3,152,422</u>	<u>\$ 16,463,241</u>	<u>\$ 16,680,265</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2013</u>	<u>2012</u>
Trade accounts payable	\$ 143,173	\$ 126,644
Salaries and benefits payable	43,744	37,476
Interest payable	26,382	7,958
Government remittances payable	17,487	16,454
Other accrued liabilities	<u>17,425</u>	<u>24,000</u>
	<u>\$ 248,211</u>	<u>\$ 212,532</u>

6. DEFERRED REVENUE

	<u>2013</u>	<u>2012</u>
Walk-a-thon	\$ 2,217	\$ 6,604
Other deferred revenue	<u>9,085</u>	<u>45,180</u>
	<u>\$ 11,302</u>	<u>\$ 51,784</u>

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

7. CALLABLE DEBT

	<u>2013</u>	<u>2012</u>
Christian Credit Union loan payable refinanced during the year.	\$ -	\$ 7,891,364
Christian Credit Union loan payable, repayable in monthly instalments of \$10,626 including interest at prime plus 0.75% per annum, maturing July 7, 2014.	1,704,751	-
Christian Credit Union loan payable, repayable in monthly instalments of \$18,323 including interest at 3.689% per annum, maturing July 7, 2016.	2,954,499	-
Christian Credit Union loan payable, repayable in monthly instalments of \$18,323 including interest at 4.04% per annum, maturing July 7, 2018.	<u>2,656,169</u>	<u>-</u>
	<u>7,315,419</u>	<u>7,891,364</u>
Less: callable debt due within one year	<u>(1,938,885)</u>	<u>(278,834)</u>
Callable debt due beyond one year	<u>\$ 5,376,534</u>	<u>\$ 7,612,530</u>

The callable debt is secured by land and buildings with a carrying value of \$16,239,262, a collateral mortgage registered against the buildings, a general security agreement and an assignment of all rents and leases on the buildings.

Management does not believe that the demand features of the callable debt will be exercised in the current year. Assuming payment of the callable debt is not demanded, regular principal repayments required for the next five years are due as follows:

2014	\$ 1,938,885
2015	243,361
2016	2,855,978
2017	136,949
2018	<u>2,140,246</u>
	<u>\$ 7,315,419</u>

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

8. LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
CMHC mortgage payable, repayable in monthly instalments of \$20,458 including interest, maturing February 2016, secured by land and buildings with a carrying value of \$16,239,262		
Fair value of mortgage using a discount rate of 4.48% per annum.	\$ 3,169,676	\$ 3,270,708
Imputed CMHC grant with respect to reduced interest rate on mortgage.	<u>113,222</u>	<u>165,669</u>
Contractual amount of mortgage, bearing interest at 2.75% per annum.	3,282,898	3,436,377
Less: current portion	<u>(157,158)</u>	<u>(152,919)</u>
Long-term portion	<u>\$ 3,125,740</u>	<u>\$ 3,283,458</u>

The imputed CMHC grant is being amortized to operations over the five year term of the loan, with \$52,446 (2012 - \$52,680) recognized during the fiscal year.

The CMHC mortgage also qualifies for subsidy assistance provisions that provide interest expense relief from the Alberta government. The total interest subsidy received for the year was \$16,127 (2012 - \$16,127). As a condition of this interest subsidy, the Society is required to maintain a replacement reserve fund as more fully described in Note 11.

Principal maturities and repayments over the next three years are estimated as follows:

2014	\$ 157,158
2015	161,555
2016	<u>2,964,185</u>
	<u>\$ 3,282,898</u>

9. OBLIGATION UNDER CAPITAL LEASE

	<u>2013</u>	<u>2012</u>
Obligation under capital lease was repaid during the year	\$ -	\$ 6,105
Less: current portion	<u>-</u>	<u>(6,105)</u>
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

10. INTERNALLY RESTRICTED FUNDS

The contingency reserve fund represents funds internally restricted by the Board, to be used for the maintenance and upkeep of the buildings. The transfers include internal restrictions determined by the Board less expenses incurred by the fund.

11. REPLACEMENT RESERVE FUND

The Society has an agreement with the Alberta Social Housing Corporation (ASHC), requiring the Society to maintain a replacement reserve fund for the Centre Wing of the building. This agreement requires funding in the amount of \$ 21,684 annually. Expenditure of the funds in the account are subject to approval by the ASHC, with withdrawals being credited to accumulated interest first and then principal amounts. The balance in the reserve was determined as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 189,079	\$ 215,407
Interfund transfer	21,684	21,684
Interest earned	2,514	2,177
Capital asset additions funded from reserve	(2,072)	-
Repairs funded from reserve	<u>(12,510)</u>	<u>(50,189)</u>
Balance, end of year	\$ <u>198,695</u>	\$ <u>189,079</u>

12. DEFINED CONTRIBUTION PLAN

The Society maintains a defined RRSP contribution plan. RRSP contributions, included in salaries and benefits, amounted to \$ 32,100 (2012 - \$ 32,658).

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

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13. FINANCIAL INSTRUMENT RISKS

(a) 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. The Society is exposed to this risk through its callable debt and long-term debt, which bear interest at fixed interest rates. The fair value of this debt may fluctuate based on changes in the prime business lending rate.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to credit risk as all of the Society's cash and term deposits reside with one financial institution.

(c) Liquidity risk

Liquidity risk is the risk that the Society encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society will not have sufficient funds to settle a transaction on the due date. The Society is exposed to liquidity risk from accounts payable, callable and long-term debt. The lender has not requested the repayment of the callable debt.

14. COMPARATIVE FIGURES

The prior year comparative figures were audited by a firm other than Hawkings Epp Dumont LLP. Certain of the prior year figures have been reclassified to conform with the current year financial statement presentation.

CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

SCHEDULE 1

SCHEDULE OF SOCIETY OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Externally Restricted Funds</u>				
	<u>Unrestricted</u>	<u>Replacement Reserve</u>	<u>Expansion</u>	<u>Kitchen Expansion</u>	<u>Total</u>
REVENUE					
Donations - cash	\$ 321,267	\$ -	\$ -	\$ -	\$ 321,267
Donations - gifts in kind	-	-	-	-	-
Federal government grant	-	-	-	-	-
Interest	35,317	2,514	-	-	37,831
Memberships	14,390	-	-	-	14,390
Van contributions	<u>9,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,501</u>
	380,475	2,514	-	-	382,989
EXPENSES					
Member communications	7,911	-	-	-	7,911
Miscellaneous	11,537	-	-	-	11,537
Repairs	<u>-</u>	<u>12,510</u>	<u>-</u>	<u>-</u>	<u>12,510</u>
	19,448	12,510	-	-	31,958
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>361,027</u>	\$ <u>(9,996)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>351,031</u>

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Externally Restricted Funds</u>				
	<u>Unrestricted</u>	<u>Replacement Reserve</u>	<u>Expansion</u>	<u>Kitchen Expansion</u>	<u>Total</u>
REVENUE					
Donations - cash	\$ 109,437	\$ -	\$ 32,267	\$ 16,573	\$ 158,277
Donations - gifts in kind	8,200	-	-	-	8,200
Federal government grant	-	-	200,000	-	200,000
Interest	19,154	2,177	5,474	-	26,805
Memberships	14,000	-	-	-	14,000
Van contributions	<u>8,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,506</u>
	159,297	2,177	237,741	16,573	415,788
EXPENSES					
Member communications	7,876	-	-	-	7,876
Miscellaneous	9,392	-	-	-	9,392
Repairs	<u>-</u>	<u>50,189</u>	<u>-</u>	<u>137,855</u>	<u>188,044</u>
	17,268	50,189	-	137,855	205,312
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>142,029</u>	\$ <u>(48,012)</u>	\$ <u>237,741</u>	\$ <u>(121,282)</u>	\$ <u>210,476</u>

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