

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**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, 2015 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, 2015 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  
March 30, 2016

  
HAWKINGS EPP DUMONT LLP  
Chartered Accountants

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

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Capital Fund</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current</b>					
Cash	\$ 448,344	\$ -	\$ -	\$ -	\$ 448,344
Term Deposits (Note 3)	512,611	391,061	230,938	-	1,134,610
Accounts receivable	29,698	-	-	-	29,698
Inventory	15,988	-	-	-	15,988
Prepaid expenses	<u>29,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,369</u>
	<b>1,036,010</b>	<b>391,061</b>	<b>230,938</b>	<b>-</b>	<b>1,658,009</b>
<b>Capital assets (Note 4)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,706,683</u>	<u>15,706,683</u>
	<b>\$ 1,036,010</b>	<b>\$ 391,061</b>	<b>\$ 230,938</b>	<b>\$ 15,706,683</b>	<b>\$ 17,364,692</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current</b>					
Accounts payable and accrued liabilities (Note 5)	\$ 248,312	\$ -	\$ -	\$ -	\$ 248,312
Deferred revenue (Note 6)	7,704	-	-	-	7,704
Damage deposits	160,119	-	-	-	160,119
Callable debt due within one year (Note 7)	-	-	-	4,040,042	4,040,042
Current portion of long-term debt (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,963,120</u>	<u>2,963,120</u>
	<b>416,135</b>	<b>-</b>	<b>-</b>	<b>7,003,162</b>	<b>7,419,297</b>
Callable debt due beyond one year (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,622,687</u>	<u>1,622,687</u>
	<b>416,135</b>	<b>-</b>	<b>-</b>	<b>8,625,849</b>	<b>9,041,984</b>
<b>Net assets</b>	<u>619,875</u>	<u>391,061</u>	<u>230,938</u>	<u>7,080,834</u>	<u>8,322,708</u>
	<b>\$ 1,036,010</b>	<b>\$ 391,061</b>	<b>\$ 230,938</b>	<b>\$ 15,706,683</b>	<b>\$ 17,364,692</b>

**APPROVED ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Capital Fund</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current</b>					
Cash	\$ 445,668	\$ -	\$ -	\$ -	\$ 445,668
Term Deposits (Note 3)	409,363	445,848	217,610	-	1,072,821
Accounts receivable	43,563	-	-	-	43,563
Inventory	14,064	-	-	-	14,064
Prepaid expenses	<u>19,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,224</u>
	<b>931,882</b>	<b>445,848</b>	<b>217,610</b>	<b>-</b>	<b>1,595,340</b>
<b>Capital assets (Note 4)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,107,888</u>	<u>16,107,888</u>
	<b><u>\$ 931,882</u></b>	<b><u>\$ 445,848</u></b>	<b><u>\$ 217,610</u></b>	<b><u>\$ 16,107,888</u></b>	<b><u>\$ 17,703,228</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current</b>					
Accounts payable and accrued liabilities (Note 5)	\$ 208,983	\$ -	\$ -	\$ -	\$ 208,983
Deferred revenue (Note 6)	7,486	-	-	-	7,486
Damage deposits	156,156	-	-	-	156,156
Callable debt due within one year (Note 7)	-	-	-	1,914,023	1,914,023
Current portion of long-term debt (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,555</u>	<u>161,555</u>
	<b>372,625</b>	<b>-</b>	<b>-</b>	<b>2,075,578</b>	<b>2,448,203</b>
Callable debt due beyond one year (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,494,952</u>	<u>4,494,952</u>
	<b>372,625</b>	<b>-</b>	<b>-</b>	<b>6,570,530</b>	<b>6,943,155</b>
<b>Long-term debt (Note 8)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,963,637</u>	<u>2,963,637</u>
	<b>372,625</b>	<b>-</b>	<b>-</b>	<b>9,534,167</b>	<b>9,906,792</b>
<b>Net assets</b>	<u>559,257</u>	<u>445,848</u>	<u>217,610</u>	<u>6,573,721</u>	<u>7,796,436</u>
	<b><u>\$ 931,882</u></b>	<b><u>\$ 445,848</u></b>	<b><u>\$ 217,610</u></b>	<b><u>\$ 16,107,888</u></b>	<b><u>\$ 17,703,228</u></b>

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

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Internally Restricted Contingency Reserve</u>	<u>Externally Restricted Replacement Reserve</u>	<u>Capital Fund</u>	<u>Total</u>
<b>Balance, beginning of year</b>	<b>\$ 559,257</b>	<b>\$ 445,848</b>	<b>\$ 217,610</b>	<b>\$ 6,573,721</b>	<b>\$ 7,796,436</b>
Net excess of revenue over expenses	1,080,620	(144,787)	(8,356)	(401,205)	<b>526,272</b>
Repayment of long-term debt and callable debt	(908,318)	-	-	908,318	-
Externally imposed capital restriction	(21,684)	-	21,684	-	-
Reserve transfers	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<b><u>\$ 619,875</u></b>	<b><u>\$ 391,061</u></b>	<b><u>\$ 230,938</u></b>	<b><u>\$ 7,080,834</u></b>	<b><u>\$ 8,322,708</u></b>

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

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Internally Restricted Contingency Reserve</u>	<u>Externally Restricted Replacement Reserve</u>	<u>Capital Fund</u>	<u>Total</u>
<b>Balance, beginning of year</b>	<b>\$ 428,647</b>	<b>\$ 489,732</b>	<b>\$ 198,695</b>	<b>\$ 6,258,120</b>	<b>\$ 7,375,194</b>
Net excess of revenue over expenses	836,002	7,357	(2,769)	(419,348)	<b>421,242</b>
Purchase of capital assets	(12,754)	(51,241)	-	63,995	-
Collection of mortgage receivable	393,196	-	-	(393,196)	-
Repayment of long-term debt and callable debt	(1,064,150)	-	-	1,064,150	-
Externally imposed capital restriction	<u>(21,684)</u>	<u>-</u>	<u>21,684</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<b><u>\$ 559,257</u></b>	<b><u>\$ 445,848</u></b>	<b><u>\$ 217,610</u></b>	<b><u>\$ 6,573,721</u></b>	<b><u>\$ 7,796,436</u></b>

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

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>Revenue - Facility</b>		
Rent	\$ 2,155,955	\$ 2,081,972
Alberta government grants		
Supportive Living	494,304	490,374
Home Living	332,090	263,459
Mortgage subsidy	16,127	16,127
Other	45,442	48,443
Meals	288,133	297,512
Residential services	69,908	66,661
Benefit of CMHC low interest loan (Note 8)	44,707	52,053
Parking	31,574	30,979
Recreation	15,700	21,237
Other income	<u>5,066</u>	<u>5,021</u>
	<u>3,499,006</u>	<u>3,373,838</u>
<b>Expenses - Facility</b>		
Salaries and benefits		
General operations	876,271	813,511
Supportive Living	495,982	475,400
Home Living	258,000	228,187
Amortization	401,205	419,348
Repairs and maintenance	351,585	200,960
Interest	336,738	408,302
Electricity	200,623	199,136
Food and catering	144,853	136,698
Property tax	67,520	68,234
Office supplies	49,730	50,743
Cable	48,242	47,132
Heating	47,121	66,284
Insurance	32,365	29,346
Professional fees	18,156	18,668
Telephone	13,536	13,350
Housekeeping supplies	7,908	7,626
Supportive Living program costs	4,103	1,522
Home Living program costs	<u>2,466</u>	<u>3,220</u>
	<u>3,356,404</u>	<u>3,187,667</u>
<b>Excess of revenue over expenses - Facility</b>	142,602	186,171
<b>Society operations</b> (Schedule 1)		
Unrestricted	392,026	237,840
Replacement reserve fund	<u>(8,356)</u>	<u>(2,769)</u>
<b>Excess of revenue over expenses</b>	\$ <u>526,272</u>	\$ <u>421,242</u>

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

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Activities</b>		
Excess of revenue over expenses	\$ 526,272	\$ 421,242
Items not affecting cash:		
Amortization of capital assets	<u>401,205</u>	<u>419,348</u>
	<b>927,477</b>	840,590
Changes in non-cash working capital:		
Accounts receivable	13,865	4,565
Inventory	(1,924)	(4,978)
Prepaid expenses	(10,145)	(475)
Accounts payable and accrued liabilities	39,329	(39,228)
Damage deposits	3,963	595
Deferred revenue	<u>218</u>	<u>(3,816)</u>
Cash flow from (used by) operating activities	<b>972,783</b>	797,253
<b>Investing Activities</b>		
Net change to term deposits	(61,789)	(68,013)
Purchase of capital assets	<u>-</u>	<u>(63,995)</u>
Cash flow from (used by) investing activities	<b>(61,789)</b>	(132,008)
<b>Financing activities</b>		
Net change in callable and long-term debt	(908,318)	(1,064,150)
Change in mortgage receivable	<u>-</u>	<u>393,196</u>
Cash flow from (used by) financing activities	<b>(908,318)</b>	(670,954)
<b>Net increase (decrease) in cash</b>	<b>2,676</b>	(5,709)
<b>Cash, beginning of year</b>	<u><b>445,668</b></u>	<u>451,377</u>
<b>Cash, end of year</b>	<b><u>\$ 448,344</u></b>	<b><u>\$ 445,668</u></b>



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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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**1. NATURE OF OPERATIONS**

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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

**(b) Restricted Funds**

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.

**(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.

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CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(d) Cash**

Cash includes chequing and savings accounts and petty cash amounts.

**(e) 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 and the corresponding rates of amortization.

**(f) Financial Instruments**

*Measurement of financial instruments*

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

Financial assets measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and callable debt. Financial liabilities measured at fair value include long-term debt.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

**(g) 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.

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CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(h) 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

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

**(i) 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) 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.

**(j) 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.

**(k) 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.

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CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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**3. TERM DEPOSITS**

Term deposits bear interest at rates between 0.7% - 1.4% (2014 - 1.3% - 1.5%) 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>2015</u>	<u>2014</u>
Unrestricted funds	\$ 512,611	\$ 409,363
Internally restricted reserves	391,061	445,848
Externally restricted reserves	<u>230,938</u>	<u>217,610</u>
Total term deposits	\$ <u>1,134,610</u>	\$ <u>1,072,821</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**4. CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Land	\$ 1,189,212	\$ -	\$ 1,189,212	\$ 1,189,212
Buildings	17,860,707	3,553,753	14,306,954	14,673,799
Asphalt and parking areas	78,358	36,171	42,187	46,875
Furniture and equipment	414,845	273,166	141,679	159,947
Organ	15,525	15,273	252	315
Automotive equipment	78,577	52,676	25,901	37,001
Computer equipment	9,726	9,610	116	166
Computer software	<u>4,856</u>	<u>4,474</u>	<u>382</u>	<u>573</u>
	<b>\$ 19,651,806</b>	<b>\$ 3,945,123</b>	<b>\$ 15,706,683</b>	<b>\$ 16,107,888</b>

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2015</u>	<u>2014</u>
Trade accounts payable	\$ 136,091	\$ 94,017
Salaries and benefits payable	54,745	47,982
Interest payable	20,267	29,158
Government remittances payable	19,271	19,888
Other accrued liabilities	<u>17,938</u>	<u>17,938</u>
	<b>\$ 248,312</b>	<b>\$ 208,983</b>

**6. DEFERRED REVENUE**

	<u>2015</u>	<u>2014</u>
Recreation	\$ 4,190	\$ 4,604
Other	<u>3,514</u>	<u>2,882</u>
	<b>\$ 7,704</b>	<b>\$ 7,486</b>

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**7. CALLABLE DEBT**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Christian Credit Union loan payable, repayable in monthly instalments of \$10,084 including interest at 2.95% per annum, maturing July 7, 2016.	\$ <b>1,566,690</b>	\$ 1,638,967
Christian Credit Union loan payable, repayable in monthly instalments of \$18,323 including interest at 3.689% per annum, maturing July 7, 2016.	<b>2,316,136</b>	2,541,717
Christian Credit Union loan payable, repayable in monthly instalments of \$18,869 including interest at 4.04% per annum, maturing July 7, 2018.	<u><b>1,779,903</b></u>	<u>2,228,291</u>
	<u><b>5,662,729</b></u>	<u>6,408,975</u>
Less: callable debt due within one year	<u><b>(4,040,042)</b></u>	<u>(1,914,023)</u>
<b>Callable debt due beyond one year</b>	<u><b>\$ 1,622,687</b></u>	<u><b>\$ 4,494,952</b></u>

The callable debt is secured by land and buildings with a carrying value of \$15,496,166, 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 to maturity are due as follows:

2016	\$ 4,040,042
2017	163,887
2018	<u>1,458,800</u>
	<u><b>\$ 5,662,729</b></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**8. LONG-TERM DEBT**

	<u><b>2015</b></u>	<u><b>2014</b></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 \$15,496,166		
Fair value of mortgage using a discount rate of 4.48% per annum.	\$ 2,946,658	\$ 3,064,023
Imputed CMHC grant with respect to reduced interest rate on mortgage.	<u>16,462</u>	<u>61,169</u>
Contractual amount of mortgage, bearing interest at 2.75% per annum.	<u>2,963,120</u>	3,125,192
Less: current portion	<u>(2,963,120)</u>	<u>(161,555)</u>
<b>Long-term portion</b>	<u><b>\$ -</b></u>	<u><b>\$ 2,963,637</b></u>

The imputed CMHC grant is being amortized to operations over the five year term of the loan, with \$44,707 (2014 - \$52,053) 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 (2014 - \$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 10.

Principal repayments to maturity are estimated as follows:

2016    \$ 2,963,120



CHRISTIAN SENIOR CITIZENS HOMES SOCIETY OF NORTHERN ALBERTA

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**9. 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.

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**10. 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>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 217,610	\$ 198,695
Interfund transfer	21,684	21,684
Interest earned	3,073	3,702
Repairs funded from reserve	<u>(11,429)</u>	<u>(6,471)</u>
<b>Balance, end of year</b>	<b>\$ <u>230,938</u></b>	<b>\$ <u>217,610</u></b>

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**11. DEFINED CONTRIBUTION PLAN**

The Society maintains a defined RRSP contribution plan. RRSP contributions, included in salaries and benefits, amounted to \$ 48,050 (2014 - \$ 44,300).

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**NOTES TO FINANCIAL STATEMENTS**

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**12. 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.

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

**SCHEDULE 1**

**SCHEDULE OF SOCIETY OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Replacement Reserve</u>	<u>Total</u>
<b>REVENUE</b>			
Donations - cash	\$ 379,306	\$ -	\$ 379,306
Interest	17,212	3,073	20,285
Memberships	12,240	-	12,240
Van contributions	<u>3,816</u>	<u>-</u>	<u>3,816</u>
	<b>412,574</b>	<b>3,073</b>	<b>415,647</b>
<b>EXPENSES</b>			
Member communications	12,569	-	12,569
Van	7,979	-	7,979
Repairs	<u>-</u>	<u>11,429</u>	<u>11,429</u>
	<b>20,548</b>	<b>11,429</b>	<b>31,977</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b><u>\$ 392,026</u></b>	<b><u>\$ (8,356)</u></b>	<b><u>\$ 383,670</u></b>

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Replacement Reserve</u>	<u>Total</u>
<b>REVENUE</b>			
Donations - cash	\$ 204,674	\$ -	\$ 204,674
Interest	35,718	3,702	39,420
Memberships	12,950	-	12,950
Van contributions	<u>4,674</u>	<u>-</u>	<u>4,674</u>
	<b>258,016</b>	<b>3,702</b>	<b>261,718</b>
<b>EXPENSES</b>			
Member communications	11,605	-	11,605
Van	8,571	-	8,571
Repairs	<u>-</u>	<u>6,471</u>	<u>6,471</u>
	<b>20,176</b>	<b>6,471</b>	<b>26,647</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b><u>\$ 237,840</u></b>	<b><u>\$ (2,769)</u></b>	<b><u>\$ 235,071</u></b>