

**Christian Senior Citizens Homes
Society of Northern Alberta
Financial Statements
For the year ended December 31, 2012**

Christian Senior Citizens Homes Society of Northern Alberta
Financial Statements
For the year ended December 31, 2012

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Christian Senior Citizens Homes Society of Northern Alberta, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of changes in net assets, statements of operations and statements of cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 Society as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Edmonton, Alberta

April 24, 2013

Christian Senior Citizens Homes Society of Northern Alberta

Statement of Financial Position

December 31, 2012

	Unrestricted	Internally Restricted	Externally Restricted	Capital Fund	Total
Assets					
Current					
Cash	\$ 303,356	\$ -	\$ -	\$ -	\$ 303,356
Term deposits (Note 3)	401,160	784,460	189,079	-	1,374,699
Accounts receivable	73,292	-	-	-	73,292
Inventory	7,047	-	-	-	7,047
Prepaid expenses	16,435	-	-	-	16,435
	801,290	784,460	189,079	-	1,774,829
Mortgage receivable (Note 4)	-	-	-	381,750	381,750
Capital assets (Note 5)	-	-	-	16,680,265	16,680,265
	\$ 801,290	\$ 784,460	\$ 189,079	\$ 17,062,015	\$ 18,836,844

Liabilities and Net Assets

Current					
Accounts payable and accrued liabilities (Note 6)	\$ 212,532	\$ -	\$ -	\$ -	\$ 212,532
Deferred revenue (Note 7)	51,784	-	-	-	51,784
Damage deposits	153,826	-	-	-	153,826
Callable debt due within one year (Note 8)	-	-	-	278,834	278,834
Current portion of long-term debt (Note 8)	-	-	-	152,919	152,919
Current portion of obligation under capital lease	-	-	-	6,105	6,105
	418,142	-	-	437,858	856,000
Callable debt due beyond one year (Note 8)	-	-	-	7,612,530	7,612,530
	418,142	-	-	8,050,388	8,468,530
Long-term debt (Note 8)	-	-	-	3,283,458	3,283,458
	418,142	-	-	11,333,846	11,751,988
Net assets	383,148	784,460	189,079	5,728,169	7,084,856
	\$ 801,290	\$ 784,460	\$ 189,079	\$ 17,062,015	\$ 18,836,844

Approved on behalf of the Board:

Director

Director

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

Christian Senior Citizens Homes Society of Northern Alberta

Statement of Financial Position

December 31, 2011

	Unrestricted	Internally Restricted	Externally Restricted	Capital Fund	Total
Assets					
Current					
Cash	\$ 108,877	\$ 570,393	\$ -	\$ -	\$ 679,270
Term deposits (Note 3)	803	1,132,478	294,594	55,161	1,483,036
Accounts receivable	245,758	-	-	257,000	502,758
Inventory	7,047	-	-	-	7,047
Prepaid expenses	32,225	-	-	4,461	36,686
	394,710	1,702,871	294,594	316,622	2,708,797
Mortgage receivable (Note 4)	-	-	-	370,648	370,648
Capital assets (Note 5)	-	-	-	4,791,853	4,791,853
Construction in progress	-	-	-	10,134,694	10,134,694
	\$ 394,710	\$ 1,702,871	\$ 294,594	\$ 15,613,817	\$ 18,005,992
Liabilities and Net Assets					
Current					
Accounts payable and accrued liabilities (Note 6)	\$ 137,908	\$ -	\$ -	\$ 1,652,645	\$ 1,790,553
Deferred revenue (Note 7)	7,282	-	-	-	7,282
Damage deposits	74,978	-	-	-	74,978
Current portion of long-term debt (Note 8)	-	-	-	5,788,616	5,788,616
Current portion of obligation under capital lease	-	-	-	5,527	5,527
	220,168	-	-	7,446,788	7,666,956
Long-term debt (Note 8)	-	-	-	3,436,908	3,436,908
Obligation under capital lease (Note 9)	-	-	-	6,105	6,105
	220,168	-	-	10,889,801	11,109,969
Net assets	174,542	1,702,871	294,594	4,724,016	6,896,023
	\$ 394,710	\$ 1,702,871	\$ 294,594	\$ 15,613,817	\$ 18,005,992

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

Christian Senior Citizens Homes Society of Northern Alberta

Statement of Financial Position

January 1, 2011

	Unrestricted	Internally Restricted	Externally Restricted	Capital Fund	Total
Assets					
Current					
Cash	\$ 88,799	\$ -	\$ -	\$ -	\$ 88,799
Term deposits	209,452	2,208,896	1,065,482	-	3,483,830
Accounts receivable	74,425	-	-	-	74,425
Inventory	5,962	-	-	-	5,962
Prepaid expenses	16,760	-	-	31,220	47,980
	395,398	2,208,896	1,065,482	31,220	3,700,996
Mortgage receivable	-	-	-	359,859	359,859
Capital assets	-	-	-	4,815,180	4,815,180
Construction in progress	-	-	-	1,357,211	1,357,211
	\$ 395,398	\$ 2,208,896	\$ 1,065,482	\$ 6,563,470	\$ 10,233,246
Liabilities and Net Assets					
Current					
Accounts payable and accrued liabilities	\$ 158,726	\$ -	\$ -	\$ 520,309	\$ 679,035
Deferred revenue	40,978	-	-	-	40,978
Damage deposits	74,049	-	-	-	74,049
Current portion of long-term debt	-	-	-	3,712,975	3,712,975
Current portion of obligation under capital lease	-	-	-	5,003	5,003
	273,753	-	-	4,238,287	4,512,040
Obligation under capital lease	-	-	-	11,632	11,632
	273,753	-	-	4,249,919	4,523,672
Net assets	121,645	2,208,896	1,065,482	2,313,551	5,709,574
	\$ 395,398	\$ 2,208,896	\$ 1,065,482	\$ 6,563,470	\$ 10,233,246

The accompanying notes and schedule 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>				
	Unrestricted	Expansion	Kitchen Expansion	Contingency Reserve	Expansion	Replacement Reserve	Kitchen Expansion	Capital Fund	Total
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)	44,484	-	-	(44,484)	-	-	-	-	-
Balance, end of year	\$ 383,148	\$ 372,275	\$ 152,585	\$ 259,600	\$ -	\$ 189,079	\$ -	\$ 5,728,169	\$ 7,084,856

The accompanying notes and schedule 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, 2011

	<u>Internally Restricted Funds</u>				<u>Externally Restricted Funds</u>			Capital Fund	Total
	Unrestricted	Expansion	Kitchen Expansion	Contingency Reserve	Expansion	Replacement Reserve	Kitchen Expansion		
Balance, beginning of year	\$ 121,645	\$ 1,598,328	\$ 246,500	\$ 364,068	\$ 730,870	\$ 279,915	\$ 54,697	\$ 2,313,551	\$ 5,709,574
Net excess of revenue over expenses	249,663	-	-	-	1,102,915	(86,192)	24,490	(104,427)	1,186,449
Purchase of capital assets	(90,778)	(447,232)	-	-	(1,833,785)	-	-	2,371,795	-
Addition of mortgage receivable	(10,789)	-	-	-	-	-	-	10,789	-
Repayment of long-term debt and obligation under capital lease	(132,308)	-	-	-	-	-	-	132,308	-
Externally imposed capital restriction	(21,684)	-	-	-	-	21,684	-	-	-
Internally imposed capital restriction (Note 10)	58,793	1,191	-	(59,984)	-	-	-	-	-
Balance, end of year	\$ 174,542	\$ 1,152,287	\$ 246,500	\$ 304,084	\$ -	\$ 215,407	\$ 79,187	\$ 4,724,016	\$ 6,896,023

The accompanying notes and schedule 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	2012	2011
Revenue - Facility		
Rent	\$ 1,549,354	\$ 1,112,105
Alberta government grants		
Supportive Living	405,362	390,892
Home Living	291,937	244,805
Mortgage subsidy	16,127	18,782
Other	58,066	63,085
Benefit of CMHC low interest loan (Note 8)	52,680	44,408
Meals	238,768	198,572
Residential services	57,441	54,810
Recreation	17,843	2,360
Parking	22,922	17,300
Other income	1,532	4,393
	<u>2,712,032</u>	<u>2,151,512</u>
Expenses - Facility		
Amortization of capital assets	353,697	104,427
Amortization of loan fees	25,961	12,981
Cable	36,548	24,432
Electricity	180,403	141,979
Food and catering	107,795	87,884
Heating	43,511	45,964
Housekeeping supplies	5,971	5,916
Insurance	26,279	22,308
Interest on long-term debt	284,909	164,593
Office supplies	42,634	24,565
Professional fees	36,256	20,465
Program costs		
Supportive Living	1,215	895
Home Living	4,754	2,873
Property tax	57,687	-
Repairs and maintenance	228,643	217,053
Salaries and benefits		
General operations	742,168	665,179
Supportive Living	329,586	307,263
Home Living	209,718	184,387
Telephone	15,940	9,464
	<u>2,733,675</u>	<u>2,042,628</u>
Excess (deficiency) of revenue over expenses - Facility	(21,643)	108,884
Society operations (Schedule 1)		
Unrestricted	142,029	36,352
Replacement reserve fund	(48,012)	(86,192)
Expansion fund	237,741	1,102,915
Kitchen expansion fund	(121,282)	24,490
	<u>188,833</u>	<u>1,186,449</u>
Excess of revenue over expenses	<u>\$ 188,833</u>	<u>\$ 1,186,449</u>

The accompanying notes and schedule 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	2012	2011
Cash flows from operating activities:		
Cash received from facility operations	\$ 2,806,265	\$ 2,105,518
Cash received from unrestricted donations and memberships	123,437	19,490
Interest received	19,964	40,598
Cash received from other society operations	8,506	14,913
Cash paid to suppliers	(707,522)	(911,847)
Cash paid to employees	(1,274,332)	(1,145,039)
Interest paid	(285,278)	(169,197)
	<u>691,040</u>	<u>(45,564)</u>
Cash flows from investing activities:		
Net change to term deposits	108,337	2,000,794
Purchase of capital assets	(1,842,215)	(81,100)
Additions to construction in progress	(1,652,645)	(7,902,147)
	<u>(3,386,523)</u>	<u>(5,982,453)</u>
Cash flows from financing activities:		
Issuance of callable and long-term debt	8,000,000	5,665,835
Repayment of callable and long-term debt	(5,923,745)	(127,305)
Principal repayments on capital lease obligation	(5,526)	(5,003)
Restricted donations received	48,840	323,923
Federal government grant for expansion	200,000	800,000
Financing and transaction costs paid	-	(38,962)
	<u>2,319,569</u>	<u>6,618,488</u>
Net increase (decrease) in cash	(375,914)	590,471
Cash, beginning of year	<u>679,270</u>	<u>88,799</u>
Cash, end of year	\$ 303,356	\$ 679,270

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

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies

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:

- The expansion fund was established to raise funds in order to increase the number of units available in the Emmanuel Home facilities.
- 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.
- The kitchen expansion fund was established to increase the size of the kitchen facilities in conjunction with the anticipated increase in residents when the building expansion is completed.

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

- The contingency fund represents funds to be used for the maintenance and upkeep of the buildings.
- The expansion fund represents funds from Society operations to be used in funding the building expansion.
- The kitchen expansion reserve fund represents funds from Society operations to be used in funding the kitchen expansion.
- The capital fund reports the Society's net investment in capital assets.

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.

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.

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies (continued)

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.

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.

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.

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.

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition	<p>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:</p> <ul style="list-style-type: none">• Restricted contributions are recognized as revenue of the applicable restricted fund.• 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. <p>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:</p> <ul style="list-style-type: none">• Rental revenue from suites is recognized on a monthly basis based on the occupancy of the suites.• Related revenue from residential services, meals, laundry, and parking is recognized when the services have been provided. <p>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.</p>
Government Grants	<p>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.</p>
Defined Contribution Plan	<p>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.</p>
Interest Capitalization	<p>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.</p>

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

2. First-time Adoption

Effective January 1, 2012, the Society adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Society's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 - Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2011.

The Society issued financial statements for the year ended December 31, 2011 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, operations and cash flows of the Society.

The following exemption was used at the date of transition to Canadian accounting standards for not-for-profit organizations:

Related party transactions

The Society elected not to restate assets or liabilities with respect to related party transactions prior to the date of transition to ASNPO.

3. Term Deposits

Term deposits bear interest at rates between 1.1% - 1.4% (2011 - 1.1% - 1.65%) 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:

	2012	2011
Deferred revenue (Note 7)	\$ 7,000	\$ 803
Unrestricted funds	394,160	-
Subtotal - unrestricted funds	401,160	803
Internally restricted reserves	784,460	1,132,478
Externally restricted reserves	189,079	294,594
Capital fund reserves	-	55,161
Total term deposits	\$ 1,374,699	\$ 1,483,036

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

4. Mortgage Receivable

	2012	2011
Mortgage receivable, secured by real property, bearing interest at 3% per annum with both principal and interest due January 2014	\$ 381,750	\$ 370,648

5. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,189,212	\$ -	\$ 1,189,212	\$ -
Buildings	17,738,322	2,426,327	5,540,559	2,096,428
Asphalt and parking areas	63,239	23,101	63,239	18,641
Furniture and equipment	346,615	219,939	302,269	206,938
Organ	15,525	15,033	15,525	14,910
Automotive equipment	17,078	16,241	17,078	15,882
Computer equipment	9,726	9,385	9,726	9,239
Computer software	4,856	3,566	4,856	2,921
	19,384,573	2,713,592	7,142,464	2,364,959
Assets under capital lease	27,852	18,568	27,852	13,504
	\$19,412,425	\$ 2,732,160	\$ 7,170,316	\$ 2,378,463
Net book value		\$16,680,265		\$ 4,791,853

6. Accounts Payable and Accrued Liabilities

	2012	2011
Trade accounts payable	\$ 126,644	\$ 64,791
Salaries and benefits payable	37,476	25,409
Government remittances payable	16,454	21,381
Interest payable	7,958	8,327
Other accrued liabilities	24,000	18,000
	212,532	137,908
Capital payables	-	701,846
Capital payable holdbacks	-	950,799
	-	1,652,645
	\$ 212,532	\$ 1,790,553

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

7. Deferred Revenue

	2012	2011
Walk-a-thon	\$ 6,604	\$ 563
Other deferred revenue	45,180	6,719
	<u>\$ 51,784</u>	<u>\$ 7,282</u>

8. Long-term Debt

Callable Debt	2012	2011
Christian Credit Union loan payable, repayable in monthly instalments of \$47,500 including interest at 3.75% per annum, maturing June 2017	\$ 7,891,364	\$ -
Less: callable debt due within one year	<u>278,834</u>	<u>-</u>
Callable debt due beyond one year	<u>\$ 7,612,530</u>	<u>\$ -</u>

The callable debt is secured by land and buildings with a carrying value of \$16,501,207, 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:

2013	\$ 278,834
2014	289,472
2015	300,515
2016	311,981
2017	<u>6,710,562</u>
	<u>\$ 7,891,364</u>

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

8. Long-term Debt (continued)

Long-term Debt	2012	2011
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 \$16,501,207		
Fair value of mortgage using a discount rate of 4.48% per annum	\$ 3,270,708	\$ 3,367,321
Imputed CMHC grant with respect to reduced interest rate on mortgage	165,669	218,349
Contractual amount of mortgage, bearing interest at 2.75% per annum	3,436,377	3,585,670
CWB construction loan payable, repaid during the year	-	5,639,854
	3,436,377	9,225,524
Less: current portion	152,919	5,788,616
Long-term portion	\$ 3,283,458	\$ 3,436,908

The imputed CMHC grant is being amortized to operations over the five year term of the loan, with \$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 (2011 - \$18,782). 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 four years are estimated as follows:

2013	\$ 152,919
2014	157,178
2015	161,555
2016	2,964,725
	<u>\$ 3,436,377</u>

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

9. Obligation Under Capital Lease

	2012	2011
Obligation under capital lease, secured by equipment with a carrying value of \$9,284, bearing interest at an inherent rate of 10.1% per annum, payable in quarterly payments of \$1,624, due December 2013	\$ 6,105	\$ 11,632
Less: current portion	6,105	5,527
Long-term portion	\$ -	\$ 6,105

The total lease payments until maturity are \$6,494, including \$389 of imputed interest.

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 the net of interest and internal restrictions determined by the Board less repairs and maintenance incurred by the fund.

The expansion fund was established in fiscal 2008. Certain amounts from Society operations are internally restricted by the Board for use in funding the building expansion.

11. Replacement Reserve Fund

The Society has an agreement with the Alberta Social Housing Corporation (ASHC), requiring them 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:

	2012	2011
Balance, beginning of year	\$ 215,407	\$ 279,915
Interfund transfer	21,684	21,684
Interest earned	2,177	2,692
Repairs funded from reserve	(50,189)	(88,884)
Balance, end of year	\$ 189,079	\$ 215,407

Christian Senior Citizens Homes Society of Northern Alberta

Notes to Financial Statements

December 31, 2012

12. Defined Contribution Plan

The Society maintains a defined RRSP contribution plan. RRSP contributions, included in salaries and benefits, amounted to \$32,658 (2011 - \$31,645).

13. Commitments

The Society has entered into a HVAC (heating, ventilation and air conditioning) maintenance agreement, which is extended on the October anniversary date each year. The current agreement requires monthly payments of \$2,997 for January and February and monthly payments of \$5,324 thereafter. Either party can terminate the agreement by providing notice thirty days prior to the anniversary date.

14. Financial Instrument Risks

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, long-term debt and obligation under capital lease, which bear interest at fixed interest rates. The fair value of this debt may fluctuate based on changes in the prime business lending rate.

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.

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, and obligation under capital lease. The bank has not requested the repayment of the callable debt.

Christian Senior Citizens Homes Society of Northern Alberta

Schedule 1 - Society Operations

For the year ended December 31, 2012

	Externally Restricted Funds				Total
	Unrestricted	Replacement Reserve	Expansion	Kitchen Expansion	
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	8,506	-	-	-	8,506
	159,297	2,177	237,741	16,573	415,788
Expenses					
Membership communications	7,876	-	-	-	7,876
Miscellaneous	9,392	-	-	-	9,392
Repairs	-	50,189	-	137,855	188,044
	17,268	50,189	-	137,855	205,312
Excess (deficiency) of revenue over expenses	\$ 142,029	\$ (48,012)	\$ 237,741	\$ (121,282)	\$ 210,476

For the year ended December 31, 2011

	Externally Restricted Funds				Total
	Unrestricted	Replacement Reserve	Expansion	Kitchen Expansion	
Revenue					
Donations - cash	\$ 4,030	\$ -	\$ 287,649	\$ 36,274	\$ 327,953
Donations - gifts in kind	1,998	-	-	-	1,998
Federal government grant	-	-	800,000	-	800,000
Interest	16,485	2,692	15,266	3,596	38,039
Memberships	15,460	-	-	-	15,460
Other	50	-	-	-	50
Van contributions	14,863	-	-	-	14,863
	52,886	2,692	1,102,915	39,870	1,198,363
Expenses					
Membership communications	2,989	-	-	-	2,989
Miscellaneous	11,547	-	-	-	11,547
Repairs	-	88,884	-	-	88,884
Repairs funded by gifts in kind	1,998	-	-	-	1,998
Fundraising	-	-	-	15,380	15,380
	16,534	88,884	-	15,380	120,798
Excess (deficiency) of revenue over expenses	\$ 36,352	\$ (86,192)	\$ 1,102,915	\$ 24,490	\$ 1,077,565