

Mountain View Seniors' Housing

**Independent Auditor's Report and
Financial Statements**

December 31, 2013

Mountain View Seniors' Housing
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mountain View Seniors' Housing

We have audited the accompanying financial statements of Mountain View Seniors' Housing, which comprise the statement of financial position as at December 31, 2013 and the statements of operations, net assets and cash flows for the year then ended, 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 public sector accounting standards 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 audit. We conducted our audit 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mountain View Seniors' Housing as at December 31, 2013, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer, Alberta

March 20, 2014

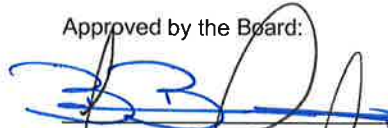
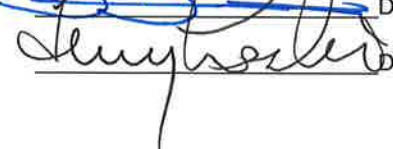
Collins Barrow Red Deer LLP

Chartered Accountants

Mountain View Seniors' Housing
Statement of Financial Position
As at December 31, 2013

	<u>Lodges</u>	<u>Housing</u>	<u>2013</u>	<u>2012</u>
ASSETS				
Current assets				
Short-term investments (Note 4)	\$ 46,492	\$ -	\$ 46,492	\$ 45,033
Accounts receivable	224,982	242	225,224	132,016
Goods and Services Taxes receivable	58,564	12,203	70,767	150,263
Due from Alberta Housing and Urban Affairs	-	-	-	56,164
	<u>330,038</u>	<u>12,445</u>	<u>342,483</u>	<u>383,476</u>
Security deposit (Note 5)	10,875	-	10,875	-
Resident security deposits (Note 6)	119,482	61,512	180,994	157,576
Capital assets (Note 7)	<u>30,331,873</u>	<u>-</u>	<u>30,331,873</u>	<u>30,428,973</u>
	<u>\$ 30,792,268</u>	<u>\$ 73,957</u>	<u>\$ 30,866,225</u>	<u>\$ 30,970,025</u>
LIABILITIES				
Current liabilities				
Bank indebtedness (Note 3)	\$ 202,825	\$ (94,912)	\$ 107,913	\$ 1,180,395
Accounts payable and accruals	561,020	57,757	618,777	771,902
Due to Mountain View Housing Foundation	9,274	-	9,274	7,674
Deferred revenue (Note 8)	-	15,000	15,000	218,483
Callable debt (Note 9)	829,166	-	829,166	3,104,215
Current portion of long-term debt (Note 10)	<u>638,485</u>	<u>-</u>	<u>638,485</u>	<u>450,585</u>
	<u>2,240,770</u>	<u>(22,155)</u>	<u>2,218,615</u>	<u>5,733,254</u>
Resident security deposits (Note 6)	119,482	61,512	180,994	157,576
Life lease fee (Note 11)	1,974,700	-	1,974,700	2,168,100
Restricted operating reserve fund (Note 12)	-	34,600	34,600	34,600
Long-term debt (Note 10)	11,963,576	-	11,963,576	7,749,608
Unamortized capital contributions (Note 13)	<u>11,132,596</u>	<u>-</u>	<u>11,132,596</u>	<u>11,167,428</u>
	<u>27,431,124</u>	<u>73,957</u>	<u>27,505,081</u>	<u>27,010,566</u>
NET ASSETS				
Invested in capital assets	7,835,513	-	7,835,513	7,900,946
Unrestricted	(4,568,331)	-	(4,568,331)	(3,978,070)
Restricted (Note 14)	<u>93,962</u>	<u>-</u>	<u>93,962</u>	<u>36,583</u>
	<u>3,361,144</u>	<u>-</u>	<u>3,361,144</u>	<u>3,959,459</u>
	<u>\$ 30,792,268</u>	<u>\$ 73,957</u>	<u>\$ 30,866,225</u>	<u>\$ 30,970,025</u>

Approved by the Board:

 Director
 Director

Mountain View Seniors' Housing
Statement of Net Assets
For the year ended December 31, 2013

	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Restricted (Note 14)</u>	<u>Total 2013</u>	<u>Total 2012</u>
Net assets, beginning of year	\$ 7,900,946	\$ (3,978,070)	\$ 36,583	\$ 3,959,459	\$ 4,854,281
Deficiency of revenue over expenditures	-	(598,315)	-	(598,315)	(894,822)
Invested in capital assets	(65,433)	65,433	-	-	-
Transfer to life lease capital and maintenance reserve	-	(57,379)	57,379	-	-
Net assets, end of year	\$ 7,835,513	\$ (4,568,331)	\$ 93,962	\$ 3,361,144	\$ 3,959,459

Mountain View Seniors' Housing
Statement of Operations
For the year ended December 31, 2013

	Lodges (page 12)	Housing	Life Lease	2013	2012
Revenues					
Rent revenue and service fees	\$ 5,075,910	\$ 861,995	\$ 215,197	\$ 6,153,102	\$ 5,542,469
MVSH subsidy for low income residents	(923,572)	-	-	(923,572)	(843,484)
Health Authority grants	3,123,292	-	-	3,123,292	2,971,126
Requisitions - municipalities (Note 15)	506,838	-	-	506,838	506,838
Amortization of deferred capital contributions	227,774	-	-	227,774	227,493
Alberta Housing and Urban Affairs grants	-	80,238	-	80,238	271,207
Utility recovery	-	61,570	-	61,570	59,075
Sundry	25,498	3,107	9,410	38,015	105,166
Interest	74	-	23,485	23,559	13,051
Other grants and donations	22,297	-	-	22,297	18,917
	8,058,111	1,006,910	248,092	9,313,113	8,871,858
Expenditures					
Salaries, wages and benefits	4,894,111	-	61,677	4,955,788	4,956,889
Maintenance and facility services	462,971	367,898	16,680	847,549	1,039,528
Utilities	472,307	297,300	23,381	792,988	758,878
Amortization	668,904	-	56,022	724,926	595,055
Food, kitchen and linen supplies	597,314	-	-	597,314	591,075
Interest on long-term debt	458,475	-	23,269	481,744	428,074
Information technology services	114,653	-	-	114,653	94,449
Property taxes	-	94,010	-	94,010	95,112
Health care supplies	25,366	-	-	25,366	24,398
Designated assisted living and resident care contracts	2,720	-	-	2,720	6,939
Miscellaneous	167	999	-	1,166	210
	7,696,988	760,207	181,029	8,638,224	8,590,607
Excess of revenue over expenditures before administration and other items	361,123	246,703	67,063	674,889	281,251
Administration (page 11)	1,016,817	246,703	9,684	1,273,204	1,176,073
Excess (deficiency) of revenue over expenditures before other item	(655,694)	-	57,379	(598,315)	(894,822)
Transfer to life lease capital and maintenance reserve (Note 14)	-	-	(57,379)	(57,379)	(36,583)
Deficiency of revenue over expenditures	\$ (655,694)	\$ -	\$ -	\$ (655,694)	\$ (931,405)

Mountain View Seniors' Housing
Statement of Cash Flows
For the year ended December 31, 2013

CASH PROVIDED BY (USED FOR)	<u>2013</u>	<u>2012</u>
Operating activities		
Cash receipts for tenants, donations and grants	\$ 8,774,371	\$ 10,523,476
Cash paid to suppliers and employees	(8,569,066)	(8,867,038)
Interest received	74	733
Interest paid	(507,208)	(443,432)
	<u>(301,829)</u>	<u>1,213,739</u>
Investing activities		
Capital contributions	71,442	100,000
Purchase of capital assets	(799,072)	(2,767,256)
Purchase of short-term investment	(1,459)	(1,338)
	<u>(729,089)</u>	<u>(2,668,594)</u>
Financing activities		
Advances of callable debt	961,396	1,577,532
Repayment of callable debt	(3,236,445)	(513,346)
Advances of long-term debt	4,900,000	-
Repayment of long-term debt	(498,133)	(511,644)
Advances (repayment) of bank indebtedness	(1,072,482)	1,180,395
	<u>1,054,336</u>	<u>1,732,937</u>
Increase in cash	23,418	278,082
Cash (bank indebtedness), beginning of year	<u>157,576</u>	<u>(120,506)</u>
Cash, end of year	<u>\$ 180,994</u>	<u>\$ 157,576</u>
Cash consists of:		
Cash held in trust for security deposits payable	<u>\$ 180,994</u>	<u>\$ 157,576</u>

During the year the organization purchased capital assets which remain in accounts payable and accruals in the amount of \$52,716 (2012 - \$223,961). These transactions have been excluded from the statement of cash flows as they are non-cash transactions.

Mountain View Seniors' Housing
Notes to the Financial Statements
December 31, 2013

Note 1 Nature of Operations

Mountain View Seniors' Housing is a not-for-profit organization with the objective of providing affordable accommodations for seniors who require a supportive living environment and housing for low-income families.

The organization was established as a management body by authority of the Alberta Housing Act under a provincial ministerial order effective February 1, 1995. The organization is a registered charity under the Income Tax Act and is therefore exempt from income tax in accordance with Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Institute of Chartered Accountants Public Sector Accounting Standards (PSA Standards), including standards for Government Not-For-Profit Organizations. The significant policies are detailed as follows:

(a) Measurement Uncertainty

The preparation of financial statements in conformity with the PSA Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets and impairment of long-lived assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

(b) Short-term Investments

Short-term investments are carried at cost.

(c) Capital Assets

Amortization of capital assets is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	50 years
Furniture and equipment	10 years
Business systems	10 years
Computer hardware	4 years
Leasehold improvements	10 years

No amortization is taken in the year of acquisition.

Note 2 Significant Accounting Policies (continued)

(d) Contributed Goods and Services

The organization benefits from contributed services in the form of volunteer time to assist the organization in carrying out its activities. Due to the difficulty in determining the fair value of this time, the contributed services are not recognized in the financial statements.

Donations of goods are also not recognized in these financial statements due to the difficulty in estimating fair value.

(e) Revenue Recognition

The organization 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 to be received can be reasonably estimated and collection is reasonably assured.

Rental and service package revenue for residents is recorded at the start of each month the service is provided.

Capital contributions are recorded as unamortized capital contributions and amortized to revenue using the same amortization rates as the funded capital asset. Capital contributions that have not been utilized to acquire a related capital asset are recorded as deferred capital contributions. No amortization is taken in the year an asset is acquired.

(f) Cash and cash equivalents

Cash and equivalents include cash on deposit and temporary bank overdrafts which form an integral part of the organization's cash management.

Note 3 Bank indebtedness

	<u>2013</u>	<u>2012</u>
Bank overdraft over funds on deposit	\$ (268,887)	\$ (1,111,306)
Net outstanding deposits (cheques)	160,974	(255,117)
Restricted cash on deposit with court	-	186,028
	<u>\$ (107,913)</u>	<u>\$ (1,180,395)</u>

Included in the bank balance are the following restricted cash balances:

- \$34,600 representing the restricted operating reserve fund (note 12)
- \$9,274 representing unspent funds received from Mountain View Housing Foundation to purchase capital assets. The organization has restricted the use of these funds until further direction is received from Mountain View Housing Foundation.
- \$15,000 representing funds received from Alberta Housing and Urban Affairs to pay subsidies to eligible tenants to assist with rental costs for housing units (note 8).

The organization has an available line of credit to a maximum of \$1,200,000 bearing interest at Mountain View Credit Union prime (currently 3.5%) less 1.0%. Security is provided by a General Security Agreement.

As part of the organization's current credit facility agreements with Mountain View Credit Union, the organization is required to monitor and maintain a minimum Debt Service Ratio of 1:1. At year-end the organization was in violation of this covenant. These financial statements have not been adjusted to reflect any action that may be taken by the organization's lenders due to this covenant breach. Mountain View Credit Union is aware of the covenant violation and has no current plans to change the terms of repayment on outstanding bank indebtedness, callable debt and long-term debt.

Note 4 Short-term Investments

Short-term investments consist of shares in Mountain View Credit Union.

Note 5 Security Deposit

This security deposit was paid in 2013 for the new administration office lease.

Note 6 Resident Security Deposits

Resident security deposits are held in trust on behalf of the tenants.

Note 7 Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2013 Net</u>	<u>2012 Net</u>
Land	\$ 18,692	\$ -	\$ 18,692	\$ 18,692
Buildings	32,648,271	2,943,611	29,704,660	29,891,181
Furniture and equipment	651,792	377,289	274,503	189,022
Business systems	229,934	20,068	209,866	200,684
Computer hardware	193,231	92,541	100,690	129,394
Leasehold improvements	23,462	-	23,462	-
	<u>\$ 33,765,382</u>	<u>\$ 3,433,509</u>	<u>\$ 30,331,873</u>	<u>\$ 30,428,973</u>

Included in buildings is \$123,901 (2012 - \$61,240) of costs related to the Sundre project which are not currently being amortized.

Note 8 Deferred Revenue

	<u>Opening Balance</u>	<u>Contributions Received</u>	<u>Contributions Recognized as Revenue</u>	<u>Ending Balance</u>
Lodge Assistance Program and Special Services Grant	\$ 203,483	\$ 664,597	\$ 868,080	\$ -
Direct Rent Supplement (note 3)	15,000	39,510	39,510	15,000
	<u>\$ 218,483</u>	<u>\$ 704,107</u>	<u>\$ 907,590</u>	<u>\$ 15,000</u>

Note 9 Callable Debt

Mountain View Credit Union loans repayable upon demand requiring monthly interest payments. Interest is charged at rates ranging from Mountain View Credit Union prime (currently 3.5%) to Mountain View Credit Union prime less 1.0%. Collateral provided by a General Security Agreement.

See note 3 for details of financial covenants.

Note 10 Long-term Debt

	<u>2013</u>	<u>2012</u>
Mountain View County loans repayable in annual instalments totaling \$936,820 including interest at 3.3% to 6.0%, final instalments due March 2025 to March 2029. Collateral provided by future municipal requisitions.	\$ 9,149,609	\$ 8,200,193
Mountain View Credit Union mortgage repayable in monthly installments of \$2,058 including principal and interest at 3.19%, final instalment due May 2038.	419,226	-
Mountain View Credit Union mortgage repayable in monthly installments of \$14,888 including principal and interest at 3.19%, final instalment due May 2038.	<u>3,033,226</u>	-
	12,602,061	<u>8,200,193</u>
Current portion	<u>638,485</u>	<u>450,585</u>
	<u>\$ 11,963,576</u>	<u>\$ 7,749,608</u>

Collateral on Mountain View Credit Union mortgages is provided by a general security agreement, first charge mortgage over the land and buildings of Mount View Lodge in the amount of \$3,500,000 and assignment of rents.

See note 3 for details of financial covenants.

Estimated principal repayments are as follows:

2014	\$	638,485
2015		664,683
2016		691,954
2017		720,274
2018		745,989
Subsequent		<u>9,140,676</u>
		<u>\$ 12,602,061</u>

Note 11 Life Lease Fee

The organization has leased life lease suites that can be occupied by entering a life lease agreement. On termination of the lease of a Life Lease suite, the fee is to be repaid to the tenant without interest and after deducting an amount as described below.

Upon termination of the Life Lease Agreement the amount of the lease fee refunded is calculated as follows:

One year or less	Fee less 1%
Greater than one year to two years	Fee less 2%
Greater than two years to three years	Fee less 3%
Greater than three years to four years	Fee less 4%
Greater than four years to five years	Fee less 5%
Greater than five years to six years	Fee less 6%
Greater than six years to seven years	Fee less 7%
Greater than seven years	Fee less 8%

Note 12 Restricted Operating Reserve Fund

The fund represents an amount restricted by Alberta Housing and Urban Affairs. The funds are not to be used to address unbudgeted expenditures and any use of the funds must have approval from Alberta Housing and Urban Affairs.

Note 13 Unamortized Capital Contributions

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$11,167,428	\$11,294,921
Contributions received during the year:		
Alberta Seniors and Community Supports	-	100,000
Mountain View Housing Foundation	71,442	-
Lodge Renewal Funding Initiative	121,500	-
Amortization of assets acquired from capital contributions	<u>(227,774)</u>	<u>(227,493)</u>
Balance, end of year	<u>\$11,132,596</u>	<u>\$11,167,428</u>

Included in unamortized capital contributions is \$121,500 (2012 - \$200,000) that has been spent but not amortized.

Note 14 Restricted Net Assets

The Mountain View Seniors' Housing Board has approved the restriction of any surplus of funds for the Life Lease operations for future capital and maintenance for Life Lease. The surplus in 2013 was \$57,379 (2012 - \$36,583).

Note 15 Municipal Requisitions

	<u>2013</u>	<u>2012</u>
Mountain View County	\$ 311,360	\$ 311,825
Town of Olds	91,766	89,840
Town of Didsbury	39,248	41,887
Town of Sundre	26,250	26,509
Town of Carstairs	34,587	33,200
Village of Cremona	<u>3,627</u>	<u>3,577</u>
	<u>\$ 506,838</u>	<u>\$ 506,838</u>

In 2014 the municipal requisitions will increase significantly to reflect the commitment of the municipalities for funding of the deficit. These requisitions are as follows:

	<u>2014</u>
Mountain View County	\$ 635,371
Town of Olds	181,228
Town of Didsbury	76,782
Town of Sundre	50,955
Town of Carstairs	66,760
Village of Cremona	<u>6,904</u>
	<u>\$ 1,018,000</u>

Note 16 Commitments

The organization has committed to contracts for management and administration consulting services, information technology services, Chief Administrative Officer services, general construction contractor services, administration office lease and maintenance services contracts expiring from April 2013 to October 2023. Expected payments are as follows:

2014	\$ 787,267
2015	349,229
2016	175,529
2017	101,893
2018	93,713
Thereafter	<u>452,944</u>
	<u>\$ 1,960,575</u>

The organization has a contract, expiring October 2018, to purchase natural gas at a fixed rate of \$4.62/GJ. Total commitment is based on usage and is therefore not determinable.

The organization has a contract, expiring May 2018, to purchase electricity at fixed rate of \$58.69/MWh. Total commitment is based on usage and is therefore not determinable.

Note 17 Subsequent Events

In December 2013, the IBI Group withdrew a lien previously filed against the organization for work performed for Stratum Developments Ltd. In 2012 the organization paid a lien amount of \$186,028 into Court, comprised of the lien amount plus 10% for legal costs. This amount, plus interest earned, was refunded to the organization in December 2013 upon withdrawal of the IBI Group lien. In February 2014, a \$169,282 payment was made to extinguish the callable debt related to this lien.

Note 18 Comparative Amounts

The presentation of certain accounts of the previous year has been changed to conform to the presentation adopted for the current year.

**Mountain View Seniors' Housing
Schedule of Administration Expenses
December 31, 2013**

	<u>2013</u>	<u>2012</u>
Expenses		
Salaries, wages and benefits	\$491,038	\$469,703
Purchased services	291,948	253,479
Office and miscellaneous	121,126	136,138
Travel	76,235	43,200
Telephone	72,358	61,875
Insurance	62,711	59,041
Interest and bank charges	44,317	36,548
Staff training, seminars and conventions	35,261	23,113
Audit	25,200	28,725
Rent	22,562	16,743
Directors' expenses	21,293	22,913
Dues and memberships	9,155	23,241
Furniture and equipment purchases	-	1,354
	<u>\$ 1,273,204</u>	<u>\$ 1,176,073</u>

**Mountain View Seniors' Housing
Statement of Lodge Operations
December 31, 2013**

	Aspen Ridge Lodge	Chinook Lodge	Foothills Lodge	Mount View Lodge	2013 Total	2012 Total
Revenues						
Rent revenue and service fees	\$1,408,203	\$913,667	\$883,959	\$1,870,081	\$5,075,910	\$4,635,749
MVSH subsidy for low income residents	(216,110)	(158,097)	(107,571)	(441,794)	(923,572)	(843,484)
Health authority grants	1,990,744	147,777	375,659	609,112	3,123,292	2,971,126
Requisitions - municipalities (Note 15)	217,508	60,942	72,550	155,838	506,838	506,838
Amortization of deferred capital contributions	-	-	-	227,774	227,774	227,493
Sundry	8,722	3,158	4,309	9,309	25,498	96,240
Other grants and donations	3,909	4,306	5,458	8,624	22,297	6,917
Interest	-	-	-	74	74	727
Alberta Housing and Urban Affairs Grants	-	-	-	-	-	51,700
	<u>3,412,976</u>	<u>971,753</u>	<u>1,234,364</u>	<u>2,439,018</u>	<u>8,058,111</u>	<u>7,653,306</u>
Expenditures						
Salaries, wages and benefits	2,149,219	687,757	865,507	1,191,628	4,894,111	4,926,428
Amortization	133,072	29,095	17,351	489,386	668,904	595,055
Food, kitchen and linen supplies	166,881	113,108	106,601	210,724	597,314	591,075
Utilities	131,265	103,702	87,314	150,026	472,307	456,461
Maintenance and facility services	145,171	96,083	94,952	126,765	462,971	542,054
Interest on long-term debt	171,106	10,873	13,591	262,905	458,475	416,224
Information technology services	30,582	21,099	22,914	40,058	114,653	94,449
Health care supplies	14,784	293	2,356	7,933	25,366	24,398
Designated assisted living and resident care contracts	2,720	-	-	-	2,720	6,939
Miscellaneous	-	114	-	53	167	210
	<u>2,944,800</u>	<u>1,062,124</u>	<u>1,210,586</u>	<u>2,479,478</u>	<u>7,696,988</u>	<u>7,653,293</u>
Excess (deficiency) of revenue over expenditures before administration	468,176	(90,371)	23,778	(40,460)	361,123	13
Administration	435,966	122,284	152,856	305,711	1,016,817	931,418
Excess (deficiency) of revenue over expenditures	\$ 32,210	\$ (212,655)	\$ (129,078)	\$ (346,171)	\$ (655,694)	\$ (931,405)