

Mountain View Seniors' Housing

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

December 31, 2018

Mountain View Seniors' Housing
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mountain View Seniors' Housing:

Opinion

We have audited the financial statements of Mountain View Seniors' Housing (the Organization) which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets, cash flows, and lodges operations for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mountain View Seniors' Housing as at December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2018 in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 29, 2018.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 23 to the financial statements as at December 31, 2018 and the year then ended, the Organization has a net working capital deficiency, a large operating loss and is not in compliance with the debt servicing covenant required by their lender. Management's plans in regard to these matters are also described in Note 23. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management and Those Charged with Governance 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.

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In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Red Deer County, Alberta
March 29, 2019


RSM Alberta LLP

Chartered Professional Accountants

Mountain View Seniors' Housing
Statement of Financial Position
As at December 31, 2018

	Lodges & Life Lease	Housing	December 2018	December 2017
ASSETS				
Current assets				
Restricted cash (Note 3)	\$ 889,434	\$ 50,210	\$ 939,644	\$ 763,650
Accounts receivable	71,116	14,591	85,707	153,210
Prepaid Expenses	17,516	-	17,516	9,431
Due from Mountain View Seniors' Housing Foundation	-	-	-	15,862
Goods and Services Taxes receivable	97,785	17,216	115,001	126,826
	<u>1,075,851</u>	<u>82,017</u>	<u>1,157,868</u>	<u>1,068,979</u>
Security deposit (Note 4)	10,875	-	10,875	10,875
Resident security deposits (Note 5)	229,709	68,145	297,854	276,985
Investments (Note 6)	52,388	-	52,388	51,450
Capital assets (Note 7)	58,260,804	-	58,260,804	58,918,467
	<u>\$ 59,629,627</u>	<u>\$ 150,162</u>	<u>\$ 59,779,789</u>	<u>\$ 60,326,757</u>
LIABILITIES				
Current liabilities				
Bank indebtedness (Note 3)	\$ 1,853,097	-	\$ 1,853,097	\$ 948,004
Accounts payable and accruals	1,345,054	23,445	1,368,499	987,509
Restricted by Alberta Social Housing (Note 8)	-	8,972	8,972	6,565
Due to Mountain View Seniors' Housing Foundation	2,007	-	2,007	-
Deferred revenue (Note 9)	39,876	15,000	54,876	17,391
Current portion of long-term debt (Note 10)	1,526,970	-	1,526,970	1,385,479
	<u>4,767,004</u>	<u>47,417</u>	<u>4,814,421</u>	<u>3,344,948</u>
Resident security deposits (Note 5)	229,709	68,145	297,854	276,985
Life Lease fee (Note 11)	4,221,300	-	4,221,300	4,449,170
Restricted operating reserve fund (Note 12)	-	34,600	34,600	34,600
Long-term debt (Note 10)	25,971,396	-	25,971,396	26,577,967
Unamortized capital contributions (Note 13)	22,511,405	-	22,511,405	22,663,274
	<u>\$ 57,700,814</u>	<u>\$ 150,162</u>	<u>\$ 57,850,976</u>	<u>\$ 57,346,944</u>
NET ASSETS				
Unrestricted (Note 14)	1,620,138	-	1,620,138	2,511,990
Restricted (Note 15)	308,675	-	308,675	467,823
	<u>1,928,813</u>	<u>-</u>	<u>1,928,813</u>	<u>2,979,813</u>
	<u>\$ 59,629,627</u>	<u>\$ 150,162</u>	<u>\$ 59,779,789</u>	<u>\$ 60,326,757</u>

Approved by the Board:

 Director
 Director

Mountain View Seniors' Housing
Statement of Net Assets
For the year ended December 31, 2018

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Net assets, beginning of year	\$ 2,511,990	\$ 467,823	\$ 2,979,813	\$ 3,213,315
Deficiency of revenue over expenditures	(1,051,000)	-	(1,051,000)	(233,502)
Transfers to (from) capital reserve	157,500	(157,500)	-	-
Transfer to (from) Life Lease capital and maintenance reserve	1,648	(1,648)	-	-
Net assets, end of year	\$ 1,620,138	\$ 308,675	\$ 1,928,813	\$ 2,979,813

Mountain View Seniors' Housing
Statement of Operations
For the year ended December 31, 2018

	Lodges (page 4)	Housing	Life Lease	2018	2017
Revenues					
Rent revenue and service fees (Note 21)	7,274,033	942,264	492,424	8,708,721	\$ 8,054,080
MVSH Subsidy for Low Income Residents (Note 21)	(1,168,468)	-	-	(1,168,468)	(873,924)
Health Authority grants	4,339,180	-	-	4,339,180	4,336,634
Requisitions - Municipalities (Note 16)	1,278,462	-	-	1,278,462	1,122,345
Alberta Seniors' & Housing grants (Note 20)	736,352	20,235	-	756,587	882,828
Amortization of deferred capital contributions	538,361	-	-	538,361	542,018
Utility recovery	-	66,985	-	66,985	68,038
Sundry	59,386	6,963	-	66,349	51,039
Interest	12,156	200	49,482	61,838	64,131
Other grants and donations	51,805	-	-	51,805	154,149
Insurance Proceeds	10,567	-	13,146	23,713	193,594
	13,131,834	1,036,647	555,052	14,723,533	14,594,933
Expenditures (Note 17)					
Salaries, wages and benefits	8,156,638	139,018	162,750	8,458,406	7,850,418
Amortization	1,496,129	-	141,845	1,637,974	1,569,724
Maintenance and facility services	823,799	482,812	85,047	1,391,658	1,447,716
Interest and bank charges	1,083,397	-	43,039	1,126,436	1,106,916
Telephone and utilities	687,350	277,357	61,729	1,026,436	1,026,266
Food, kitchen and linen supplies	824,813	-	12,796	837,609	808,910
Purchased services	576,794	73,600	770	651,164	483,177
Staff training, travel and memberships	92,552	11,342	-	103,894	134,404
Office and miscellaneous	77,493	9,998	21,167	108,658	134,607
Insurance	119,375	9,020	-	128,395	122,085
Rent	64,518	24,000	-	88,518	90,033
Resident travel and activities	72,938	-	-	72,938	83,116
Resident Care contracts and health care supplies	69,765	-	-	69,765	62,456
Property taxes	-	-	27,557	27,557	24,223
Audit	12,500	9,500	-	22,000	23,900
Directors' expenses	21,514	-	-	21,514	14,699
Bad Debt	1,611	-	-	1,611	-
	14,181,186	1,036,647	556,700	15,774,533	14,982,649
Deficiency of revenue over expenditures before other income	(1,049,352)	-	(1,648)	(1,051,000)	\$ (387,717)
Other Income (Expenditures)					
Unamortized Capital Contributions	-	-	-	-	162,046
Disposal of assets	-	-	-	-	(7,832)
Gain on disposal of assets	-	-	-	-	154,214
Deficiency of revenue over expenditures	(1,049,352)	-	(1,648)	(1,051,000)	\$ (233,502)

**Mountain View Seniors' Housing
Statement of Lodge Operations
For the year ended December 31, 2018**

	Aspen Ridge Lodge	Chinook Winds Lodge	Mount View Lodge	Sundre Lodge	2018 Total	2017 Total
Revenues						
Rent revenue and service fees	\$ 1,639,264	\$ 1,110,589	\$ 2,229,973	\$ 2,294,207	\$ 7,274,033	\$ 6,608,827
MVSH Subsidy for low income residents	(162,186)	(224,477)	(492,420)	(289,385)	(1,168,468)	(873,924)
Health Authority Grants	1,951,191	-	214,274	2,173,715	4,339,180	4,336,634
Requisitions - Municipalities (Note 16)	188,405	282,607	511,385	296,065	1,278,462	1,122,345
Alberta Seniors' & Housing grants	100,412	143,445	291,671	200,824	736,352	866,752
Amortization of deferred capital contributions	28,209	4,027	251,021	255,104	538,361	542,018
Sundry	12,179	6,540	16,627	24,040	59,386	45,260
Other Grants and donations	13,940	9,738	10,982	17,145	51,805	65,800
Interest	2,712	1,964	3,553	3,927	12,156	13,759
Insurance proceeds	8,827	-	1,740	-	10,567	187,272
	3,782,953	1,334,433	3,038,806	4,975,642	13,131,834	12,914,745
Expenditures						
Salaries, wages and benefits	2,620,933	881,368	1,465,072	3,189,265	8,156,638	7,560,470
Amortization	181,555	65,333	522,491	726,750	1,496,129	1,428,089
Interest and bank charges	148,366	27,896	254,033	653,102	1,083,397	1,063,665
Food, kitchen and linen supplies	212,990	119,798	216,654	275,371	824,813	796,480
Maintenance and facility services	202,415	127,389	228,544	265,451	823,799	774,084
Telephone & utilities	171,120	105,470	187,591	223,169	687,350	674,259
Purchased services	94,430	67,589	131,318	283,457	576,794	424,865
Insurance	15,210	5,891	48,224	50,050	119,375	117,502
Staff training, travel & memberships	25,102	14,715	23,207	29,528	92,552	114,748
Office & miscellaneous	21,449	8,377	17,203	30,464	77,493	89,449
Resident travel and activities	17,243	15,221	14,411	26,063	72,938	80,015
Resident care contracts and health care supplies	24,855	2,296	9,608	33,006	69,765	62,456
Rent	14,393	10,422	18,859	20,844	64,518	66,033
Directors' expenses	4,799	3,475	6,289	6,951	21,514	14,699
Audit	4,035	1,292	2,338	4,835	12,500	17,900
Bad debt	-	-	-	1,611	1,611	-
	3,758,895	1,456,532	3,145,842	5,819,917	14,181,186	13,284,713
Excess (Deficiency) of revenue over expenditures before other income	\$ 24,058	\$ (122,099)	\$ (107,036)	\$ (844,275)	\$ (1,049,352)	\$ (369,968)
Other Income (Expenditures)						
Unamortized capital contributions	-	-	-	-	-	162,046
Loss on disposal of assets	-	-	-	-	-	(7,832)
Total gain on assets	-	-	-	-	-	154,214
Excess (Deficiency) of revenue over expenditures	\$ 24,058	\$ (122,099)	\$ (107,036)	\$ (844,275)	\$ (1,049,352)	\$ (215,754)

Mountain View Seniors' Housing
Statement of Cash Flows
For the year ended December 31, 2018

CASH PROVIDED BY (USED FOR)	2018	2017
Operating activities		
Cash receipts from tenants, donations and grants	\$ 14,041,596	\$ 14,212,500
Cash paid to suppliers and employees	(12,544,868)	(12,219,143)
Interest received	13,847	14,841
Interest paid	(1,079,554)	(1,057,784)
	431,021	950,414
Investing activities		
Capital contributions	386,492	213,914
Insurance proceeds for capital replacement	-	161,920
Purchase of capital assets	(1,059,726)	(1,252,333)
Purchase of short-term investment	(938)	(780)
	(674,172)	(877,279)
Financing activities		
Repayment of callable debt	-	(250,000)
Advances of long-term debt	953,353	673,162
Repayment of long-term debt	(1,418,433)	(1,280,771)
Advances of bank indebtedness	905,094	962,785
	440,014	105,176
Increase in cash	196,863	178,311
Cash, beginning of year	1,040,635	862,324
Cash, end of year	\$ 1,237,498	\$ 1,040,635
Cash consists of:		
Restricted cash	939,644	763,650
Cash held in trust for security deposits payable	297,854	276,985
	\$ 1,237,498	\$ 1,040,635

Excluded from the statement of cash flows are purchased capital assets which remain in accounts payable and accruals in the amount of \$62,184 (2017 - \$141,599)

Mountain View Seniors' Housing

Notes to the Financial Statements

As at December 31, 2018

Note 1 Nature of Operations

Mountain View Seniors' Housing ("MVSH") 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 Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Chartered Professional Accountants of Canada 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: allowance for doubtful accounts, certain accounts payable and accruals, 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) *Investments*

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
Leasehold improvements	10 years
Computer hardware	4 years
Capital WIP	see note below

No amortization is taken in the year of acquisition.

Capital WIP is work in progress and no amortization is taken on the amount spent until one year after the asset is put into use.

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 recognized when the goods would otherwise have been purchased and fair market value can be reasonably estimated.

(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 Lodge 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 Cash and Cash Equivalents

Included in the restricted cash are the following funds restricted for Housing use:

- \$34,600 representing the restricted operating reserve fund (note 12)
- \$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 9).

Restricted cash includes:

- | | |
|---|------------|
| • Cash held in a separate bank account that has been internally restricted for Life Lease reserve funds and Life Lease deposits | \$ 242,896 |
| • Cash held in a separate bank account which has been restricted for Housing use as noted above. | 50,210 |
| • Cash held in separate bank accounts which has been restricted for lodge capital use. | 371,519 |
| • Cash held in separate bank account and internally restricted for a Lodge Maintenance Reserve | 19 |
| • Cash received from Alberta Social Housing Corporation under the capital maintenance grant program and restricted for lodge capital use. | 275,000 |

\$ 939,644

The organization has an available line of credit to a maximum of \$2,000,000 bearing interest at the Mountain View Financial prime rate (currently 3.95%). Security is provided by a General Security Agreement.

As part of the organization's current credit facility agreements with Mountain View Financial (the "Lender"), the organization is required to monitor and maintain a minimum Debt Service Ratio of 1:1. At year-end, the organization was not in compliance with 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 Financial is aware of the covenant violation and has waived its their right for the next twelve months to accelerate the terms of repayment on the outstanding callable and long-term debt.

Note 4 Security Deposit

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

Note 5 Resident Security Deposits

Resident security deposits are held in a separate bank account.

Note 6 Investments

Investments consist of shares in Mountain View Financial.

Note 7 Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net</u>	<u>2017 Net</u>
Land	\$ 1,281,148	\$ -	\$ 1,281,148	\$ 1,281,148
Buildings and improvements	59,884,265	7,205,669	52,678,597	53,457,958
Furniture and equipment	4,628,241	1,140,624	3,487,617	3,517,799
Business systems	229,934	135,035	94,899	117,892
Leasehold improvements	65,508	19,782	45,726	50,305
Computer hardware	130,428	44,247	86,181	46,579
Capital WIP	586,637	-	586,637	446,785
	<u>\$ 66,806,161</u>	<u>\$ 8,545,357</u>	<u>\$ 58,260,804</u>	<u>\$ 58,918,467</u>

Note 8 Restricted by Alberta Social Housing Corporation

In 2018, Alberta Social Housing Corporation has indicated that surplus funds can no longer be carried forward. The 2018 surplus of \$2,406 has been recorded as a current liability.

Note 9 Deferred Revenue

	<u>Opening Balance</u>	<u>Contributions Received</u>	<u>Contributions Recognized as Revenue or Capital Contributions</u>	<u>Ending Balance</u>
Direct Rent Supplement (Note 3)	15,000	-	-	15,000
Other	2,391	39,876	2,391	39,876
	<u>\$ 17,391</u>	<u>\$ 39,876</u>	<u>\$ 2,391</u>	<u>\$ 54,876</u>

Note 10 Long-term Debt

	<u>2018</u>	<u>2017</u>
Mountain View County ACFA debentures repayable in annual installments totaling \$86,643 including interest at 2.8% to 6.0%, final instalments due March 2025 to September 2029. Collateral provided by future municipal requisitions.	\$ 7,155,978	\$ 7,872,820
Mountain View Financial non-revolving mortgage. Payment in monthly installments of \$2,128 including principal and interest at a rate of 3.56%. Mortgage is a 60 month fixed term to be renewed October 2022 and is amortized over 25 years ending May 2038. Collateral provided by first charge mortgage over the land and buildings of Mount View Lodge and assignment of rents.	358,573	371,095
Mountain View Financial non-revolving mortgage. Payment in monthly installments of \$15,561 including principal and interest at a rate of 3.68%. Mortgage is a 60 month fixed term to be renewed October 2022 and is amortized over 25 years ending May 2038. Collateral provided by first charge mortgage over the land and buildings of Mount View Lodge and assignment of rents.	2,595,766	2,685,188
Mountain View Financial non-revolving mortgage. Payment in monthly installments of \$80,600 including principal and interest at a rate of 3.5%. Mortgage is a 60 month fixed term to be renewed August 2021 and is amortized over 25 years ending August 2041. Collateral provided by first charge mortgage over the land and buildings of Sundre Seniors' Supportive Living Facility and assignment of rents.	15,119,805	15,549,644
Mountain View Financial non-revolving mortgage. Payment in monthly installments of \$4,506 including principal and interest at a rate of 3.5%. Mortgage is a 60 month fixed term to be renewed August 2021 and is amortized over 25 years ending August 2041. Collateral provided by first charge mortgage over the land and buildings of Sundre Seniors' Supportive Living Facility and assignment of rents.	845,207	869,235
Mountain View Financial loan. Payment in monthly installments of \$5,758 including principal and interest at a rate of prime (currently 3.95%) plus 3%. Loan is a 5 year term ending July 2022. Collateral provided by assignment of rents and general security agreement.	224,577	277,150
Mountain View Financial loan. Payment in monthly installments of \$7,030 including principal and interest at a rate of prime (currently 3.95%) plus 3%. Loan is a 5 year term ending July 2022. Collateral provided by assignment of rents and general security agreement.	274,133	338,315
Mountain View Financial loan. Payment in monthly installments of \$1,234 including principal and interest at a rate of prime (currently 3.95%) plus 1.5%. Loan is a 4 year term ending August 2022. Collateral provided by assignment of rents and general security agreement.	49,225	-
Mountain View Financial loan. Payment in monthly installments of \$9,634 including principal and interest at a rate of prime (currently 3.95%) plus 1.5%. Loan is a 5 year term to be renewed August 2023 and is amortized over 10 years ending August 2028. Collateral provided by assignment of rents and general security agreement.	875,103	-
	27,498,366	27,963,446
Current portion	(1,526,970)	(1,385,479)
	\$ 25,971,396	\$ 26,577,967

Note 10 Long-term Debt, continued

See Note 3 for details of financial covenants.

Assuming similar renewal terms upon term renewals, the estimated principal repayments are as follows.

2019	1,526,970
2020	1,590,979
2021	1,657,823
2022	1,666,222
2023	1,624,000
Subsequent	19,432,373
	<u>\$ 27,498,366</u>

Note 11 Life Lease Fee

The organization has leased 8 Life Lease suites in Olds and 15 Life Lease suites in Sundre 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 the Alberta Government and is held in a separate bank account. The funds are not to be used to address unbudgeted expenditures and any use of the funds must have approval from the Alberta Government.

Note 13 Unamortized Capital Contributions

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$22,663,274	\$23,153,424
Contributions received during the year:		
Mountain View Seniors' Housing Foundation	24,619	-
ASHC Capital Improvement grants	340,000	195,000
New Horizons for Seniors grant	21,873	18,914
Amortization of assets acquired from capital contributions	(538,361)	(542,018)
Amortization of assets disposed of during the year	-	(162,046)
Balance, end of year	<u>\$22,511,405</u>	<u>\$22,663,274</u>

Included in unamortized capital contributions is \$121,166 (2017 - \$213,914) that has been spent but not amortized.

Note 14 Unrestricted Net Assets

Mountain View Seniors' Housing has Unrestricted Net Assets in the amount of \$1,620,138 (2017 - \$2,511,990) which is comprised of funds invested in capital assets and accumulation of operating surpluses (deficits).

Note 15 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.

Olds Life Lease

	<u>2018</u>	<u>2017</u>
Life Lease surplus (deficit)	\$ (14,862)	\$ 12,630
Transfer (to) from Life Lease Capital reserve	<u>14,862</u>	<u>(12,630)</u>
	<u>\$ -</u>	<u>\$ -</u>
Restricted reserve, opening balance	<u>215,606</u>	202,976
Transfer from Life Lease surplus	<u>(14,862)</u>	12,630
Restricted reserve, ending balance	<u>\$ 200,744</u>	<u>\$ 215,606</u>

Sundre Life Lease

	<u>2018</u>	<u>2017</u>
Life Lease surplus (deficit)	\$ 13,214	\$ (30,377)
Transfer (to) from Life Lease Capital reserve	<u>(13,214)</u>	<u>30,377</u>
	<u>\$ -</u>	<u>\$ -</u>
Restricted reserve, opening balance	<u>22,660</u>	53,040
Transfer to (from) Life Lease surplus (deficit)	<u>13,214</u>	<u>(30,380)</u>
Restricted reserve, ending balance	<u>\$ 35,874</u>	<u>\$ 22,660</u>
Total Life Leases	<u>\$ 236,618</u>	<u>\$ 238,266</u>

Capital Reserve

During 2018, the Mountain View Seniors' Housing board approved the use of \$157,500 from the funds held as a capital reserve.

	<u>2018</u>	<u>2017</u>
Capital Reserve, opening balance	229,557	-
Transfer to (from) capital reserve	<u>(157,500)</u>	<u>229,557</u>
Capital reserve, ending balance	<u>72,057</u>	<u>229,557</u>
Total restricted net assets	<u><u>308,675</u></u>	<u><u>467,823</u></u>

Note 16 Municipal Requisitions

The Alberta Housing Act, Part 7 - Requisitions, states that a housing management body which provides lodge accommodation may requisition the municipalities for which it provides this accommodation. The requisition can be for the management body's annual deficit arising from provision of this accommodation for the previous fiscal year, and it can also be for any amounts necessary to establish or continue a reserve fund for the management body.

	<u>2018</u>	<u>2017</u>
Mountain View County	\$ 767,188	\$ 683,014
Town of Olds	239,863	208,684
Town of Carstairs	101,027	83,933
Town of Didsbury	99,850	85,318
Town of Sundre	62,821	54,881
Village of Cremona	7,712	6,515
	<u>\$ 1,278,462</u>	<u>\$ 1,122,345</u>

The requisitions for 2019 have been approved as follows:

	<u>2019</u>
Mountain View County	\$ 1,169,434
Town of Olds	367,280
Town of Didsbury	151,361
Town of Sundre	93,509
Town of Carstairs	156,499
Village of Cremona	11,917
	<u>\$ 1,950,000</u>

Note 17 Administrative Expenses

Included in expenditures is administrative expenses in the amount of \$2,000,387 (2017 - \$1,889,457).

Note 18 Transactions with Mountain View Seniors' Housing Foundation

Mountain View Seniors' Housing Foundation is a society which was established in 2002. The Foundation was set up to be the fundraiser for the benefit of Mountain View Seniors' Housing. During the year, the organization received \$ 24,619 (2017 - \$0) in capital contributions from Mountain View Seniors' Housing Foundation and \$15,533 (2017 - \$27,029) in operating contributions.

Note 19 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 March 31, 2019 to October 2023. Expected payments are as follows:

2019	1,234,309
2020	897,400
2021	100,250
2022	93,713
2023	78,093
Thereafter	-
	<u>\$ 2,403,765</u>

Note 20 Alberta Seniors and Housing Grants - Housing

	<u>2018</u>	<u>2017</u>
Deficit funding received in the current year	\$ 22,641	\$ 22,641
2017 surplus recognized in 2018		85,248
Surplus rental income generated in 2018	<u>(2,406)</u>	<u>(6,565)</u>
Balance, end of the year	<u>20,235</u>	<u>101,324</u>

Note 21 Rent revenue and service fees

The Mountain View Seniors' Housing Lodge Program offers rooms, meals, services and recreational opportunities for functionally independent seniors. A basic lodge rate is set annually by MVSH for this program. Rent payable by a resident is calculated in accordance with the Alberta Housing Act, Social Housing Accommodation Regulation based on income. Each resident must be left with a monthly disposable income amount determined by the Province. If a resident does not have sufficient income to pay the basic lodge rate, MVSH provides a subsidy.

Note 22 Subsequent Event

Mountain View Seniors Housing and Alberta Social Housing Corporation have signed an agreement with a closing date of March 31, 2019 that has Mountain View Seniors Housing purchasing 9 properties (15 units) from Alberta Social Housing Corporation for a nominal amount of \$1. The conditions of the sale require that the properties or proceeds from the sale of the properties are to be used solely for the purpose of providing social and affordable housing accommodations.

Note 23 Management Plans

MVSH commenced operations in 1960. In 2018, MVSH experienced a higher than usual number of facility maintenance, equipment and appliance repairs, and the onset of initial collective bargaining agreement which resulted in increased legal and professional fees. As a result, MVSH is not compliant with the debt covenant ratio required by their Lender.

Management presented a plan to achieve sustainability at the request of the Board in October 2018. In December 2018, the Board unanimously agreed to an increase in the 2019 Municipal Requisition to \$1.950 Million at the start of 2019. Management has also approached the Lender for an increased Line of Credit to address cash flow risk. The Board is also embarking on a full review of the strategic and business plans for the organization in 2019.

Current operating shortfalls are being funded out of existing cash reserves and the Line of Credit mentioned above. Management continues to monitor the cash closely to allow time to effectuate an increase in funding in Business Plans for 2020 onward.

Management believes the additional Line of Credit and new business plan will allow MVSH to stabilize operating cash flow in the near term and achieve long term success in the future so revenues will cover costs annually. The accompanying financial statements do not include any adjustments that might be necessary if MVSH is unable to continue as a going concern.