

**FLAGSTAFF REGIONAL HOUSING GROUP**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2018**

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**FLAGSTAFF REGIONAL HOUSING GROUP**  
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December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Flagstaff Regional Housing Group

### *Opinion*

We have audited the financial statements of Flagstaff Regional Housing Group, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net assets and statement of cash flows 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 the management body as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *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 management body 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.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the management body'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 management body or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the management body'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:



CHARTERED PROFESSIONAL ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT, continued**

- ♦ 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 management body'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 management body'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 management body 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.

April 2, 2019

A handwritten signature in black ink that reads "Avail LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 269,160	\$ 310,434
Short term investments (Note 4)	536,627	431,449
Accounts receivable (Note 5)	29,401	3,757
Prepays	642	2,488
	835,830	748,128
<b>Tangible capital assets (Note 6)</b>	85,209	94,371
	\$ 921,039	\$ 842,499

<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 48,813	\$ 51,394
<b>Net assets</b>		
Unrestricted	715,206	627,457
Internally restricted (Note 9)	71,811	69,277
Invested in capital assets	85,209	94,371
	872,226	791,105
	\$ 921,039	\$ 842,499

Approved on behalf of the board:

Director B. Mc Dermott

Director 

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
<b>Revenue</b>			
Accommodation	\$ 509,850	\$ 433,429	\$ 439,686
Lodge assistance program grants	64,050	112,106	90,518
Recoveries	47,650	47,305	54,605
Miscellaneous	12,800	14,719	25,174
	<u>634,350</u>	<u>607,559</u>	<u>609,983</u>
<b>Expenses</b>			
Wages and benefits	559,993	503,974	487,191
Administration management	112,100	87,996	86,004
Food and kitchen supplies	87,000	79,151	87,717
Utilities	80,200	76,891	70,523
Building and ground maintenance	16,650	23,509	41,740
General administration	15,950	14,217	10,400
Professional fees	-	11,710	7,800
Conferences and travel	-	6,509	4,341
Telephone	-	5,720	6,220
Equipment repairs and maintenance	-	4,061	3,748
Furniture and equipment	-	1,932	49,778
Laundry and linen supplies	-	1,044	895
Insurance	-	563	551
Lodge renewal project	-	-	4,269
	<u>871,893</u>	<u>817,277</u>	<u>861,177</u>
<b>Deficiency of revenue over expenses before municipal requisitions and other items</b>	(237,543)	(209,718)	(251,194)
Municipal requisitions (Note 11)	300,000	300,001	300,001
Loss on write down of assets	-	-	(2,250)
<b>Excess of revenue over expenses before amortization</b>	62,457	90,283	46,557
Amortization of tangible capital assets	-	(9,162)	(10,180)
<b>Excess of revenue over expenses</b>	<u>\$ 62,457</u>	<u>\$ 81,121</u>	<u>\$ 36,377</u>

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended December 31, 2018

	Unrestricted Net Assets	Internally Restricted Net Assets (Note 9)	Net Assets Invested in Capital Assets	2018	2017
<b>Balance, beginning of year</b>	\$ 627,457	\$ 69,277	\$ 94,371	\$ 791,105	\$ 754,728
<b>Excess of revenue over expenses</b>	81,121	-	-	81,121	36,377
<b>Transfer to internally restricted net assets</b>	(2,534)	2,534	-	-	-
<b>Amortization of tangible capital assets</b>	9,162	-	(9,162)	-	-
<b>Balance, ending of year</b>	\$ 715,206	\$ 71,811	\$ 85,209	\$ 872,226	\$ 791,105

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2018

	2018	2017
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses	\$ 81,121	\$ 36,377
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	9,162	10,180
Loss on write down of assets	-	2,250
	90,283	48,807
Change in operating net assets		
Accounts receivable	(25,644)	9,472
Prepays	1,846	1,823
Accounts payable and accrued liabilities	(2,582)	(307,287)
Unearned income	-	(1,969)
	63,903	(249,154)
<b>Cash flows from investing activity</b>		
Increase in investments	(105,177)	(5,957)
<b>Decrease in cash and cash equivalents</b>	(41,274)	(255,111)
<b>Cash and cash equivalents, beginning of year</b>	310,434	565,545
<b>Cash and cash equivalents, end of year</b>	\$ 269,160	\$ 310,434



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**FLAGSTAFF REGIONAL HOUSING GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**1. Nature of operations**

Flagstaff Regional Housing Group (Flagstaff) was established as a management body by Ministerial Order, pursuant to the Alberta Housing Act. It is responsible for the operation and administration of Big Knife Lodge in Forestburg, Alberta and Flagstaff Lodge in Sedgewick, Alberta. During the course of 2016, Flagstaff Lodge in Sedgewick ceased operations and was demolished to make room for a self-contained housing project. The management body qualifies as a not-for-profit organization as defined in the Income Tax Act and, as such, is exempt from income taxes.

**2. Significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition

The management body follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, including accommodation, meal revenues, and recoveries, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Provincial government grants are recognized as revenue in the year in which the related expenses are incurred.

Requisition revenue is recognized as income in the year for which the funding is requisitioned.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and guaranteed investment certificates with original maturities of three months or less.

(c) Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the management body receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date. When fair value cannot be reasonably determined, the tangible capital asset is recorded at a nominal value. The annual amortization rates are as follows:

Buildings	Straight-line	10 to 20 years
Equipment	Straight-line	10 years

(d) Net assets invested in capital assets

The management body has chosen to present net assets invested in capital assets as a separate component of net assets.

(e) Contributed materials and services

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

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**FLAGSTAFF REGIONAL HOUSING GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

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**2. Significant accounting policies, continued**

(f) Financial assets and liabilities

The management body initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The management body subsequently measures all its financial assets and financial liabilities at amortized cost. Financial instruments measured at amortized cost include cash and cash equivalents, accounts receivable, and accounts payable.

With respect to financial assets measured at amortized cost, the management body assesses whether there are any indications of impairment. When there is an indication of impairment, and if the management body determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**3. Cash and cash equivalents**

	2018	2017
Cash and cash equivalents consist of:		
Cash on hand and balances with banks, net of outstanding cheques and deposits	\$ 197,676	\$ 241,157
Restricted cash	71,484	69,277
	<u>\$ 269,160</u>	<u>\$ 310,434</u>

**4. Short term investments**

The group holds ten guaranteed investment certificates at ATB Financial which mature in April and May 2019 and have interest rates between 1.8% and 2.2%.

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**5. Accounts receivable**

	2018	2017
Requisitions receivable	\$ 15,581	\$ -
Accrued interest receivable	6,827	3,452
GST receivable	6,687	-
Other	306	305
	<b>\$ 29,401</b>	<b>\$ 3,757</b>

**6. Tangible capital assets**

	Cost	Accumulated Amortization	2018	2017
Land	\$ 2,750	\$ -	\$ 2,750	\$ 2,750
Equipment	98,167	70,753	27,414	30,459
Buildings	301,637	246,592	55,045	61,162
	<b>\$ 402,554</b>	<b>\$ 317,345</b>	<b>\$ 85,209</b>	<b>\$ 94,371</b>

**7. Accounts payable and accrued liabilities**

	2018	2017
Accounts payable, trade	\$ 1,516	\$ 227
Accrued expenses	8,500	7,500
Wages and benefit remittances payable	38,797	43,667
	<b>\$ 48,813</b>	<b>\$ 51,394</b>

**8. Related party transactions**

The Bethany Nursing Home of Camrose, Alberta acts as Chief Administrative Officer (CAO) for Flagstaff Regional Housing Group providing management, administrative, and operational support for the organization.

The management body paid \$87,996 (2017 - \$86,004) for management fees to Bethany Nursing Home of Camrose, Alberta for the year ended December 31, 2018. These transactions were in the normal course of operations and were recorded at the exchange amount, which is the amount agreed upon by the related parties.

**9. Internally restricted net assets**

Internally restricted net assets are not available for unrestricted purposes without the approval of the Flagstaff Regional Housing Group Board of Directors. Net assets are restricted for resident life enhancement purposes. In 2018, donations received less expenditures funded from reserves amounted to an increase of \$2,534 in internally restricted net assets for the year.

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**10. Financial instruments**

The management body maintains a risk management framework to monitor, evaluate, and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include liquidity and market risk; market risk arises from changes in interest rates and other price risks.

(a) Market risk

The management body's financial instruments expose it to market risk, in particular interest rate risk and other price risk, resulting from its operations. There has been no significant change in risk from the prior year.

The guaranteed investment certificates bear interest at a fixed rate and the management body is therefore not exposed to the risk of changes in fair value resulting from interest rate fluctuations. There has been no significant change in risk from the prior year.

(b) Liquidity risk

Liquidity risk is the risk the management body may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The management body's exposure to liquidity risk is dependent on the receipt of funds from a variety of sources, whether in the form of revenue or advances. There has been no significant change in risk from the prior year.

**11. Municipal requisitions**

	2018	2017
County of Flagstaff	\$ 227,894	\$ 229,506
Town of Killam	15,150	14,969
Town of Sedgewick	14,013	13,765
Town of Hardisty	15,656	14,327
Town of Daysland	11,707	11,697
Village of Forestburg	10,254	10,448
Village of Loughheed	2,647	2,605
Village of Alliance	1,403	1,400
Village of Heisler	1,277	1,284
	<b>\$ 300,001</b>	<b>\$ 300,001</b>

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**SCHEDULE OF OPERATIONS - BIG KNIFE LODGE**  
For the year ended December 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
<b>Revenue</b>			
Accommodation	\$ 509,850	\$ 433,429	\$ 439,686
Lodge assistance program grants	64,050	112,106	90,518
Recoveries	47,650	47,305	54,605
Miscellaneous	12,800	14,719	25,174
	<u>634,350</u>	<u>607,559</u>	<u>609,983</u>
<b>Expenses</b>			
Wages and benefits	559,993	503,974	487,191
Administration management	112,100	87,996	86,004
Utilities	80,200	76,891	70,339
Food and kitchen supplies	87,000	79,151	87,717
Buildings and ground maintenance	16,650	23,509	41,730
General administration	15,950	14,217	10,152
Professional fees	-	11,710	7,800
Amortization of tangible capital assets	-	9,162	10,180
Conferences and travel	-	6,509	4,341
Telephone	-	5,720	6,220
Equipment repairs and maintenance	-	4,061	3,748
Small equipment	-	1,932	49,778
Laundry and linen supplies	-	1,044	895
Insurance	-	563	551
Lodge renewal project	-	-	4,269
	<u>871,893</u>	<u>826,439</u>	<u>870,915</u>
<b>Deficiency of revenue over expenses</b>	<b>\$ (237,543)</b>	<b>\$ (218,880)</b>	<b>\$ (260,932)</b>

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**SCHEDULE OF OPERATIONS - FLAGSTAFF LODGE**  
For the year ended December 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
<b>Revenue</b>	\$ -	\$ -	\$ -
<b>Expenses</b>			
General administration	-	-	247
Utilities	-	-	185
Buildings and ground maintenance	-	-	11
	-	-	443
<b>Deficiency of revenue over expenses before other items</b>	-	-	(443)
Loss on write down of assets	-	-	(2,250)
<b>Deficiency of revenue over expenses</b>	\$ -	\$ -	\$ (2,693)