

FLAGSTAFF REGIONAL HOUSING GROUP

FINANCIAL STATEMENTS

For the year ended December 31, 2017

**Flagstaff Regional Housing Group
Financial Statements
For the Year Ended December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of:
Flagstaff Regional Housing Group**

We have audited the accompanying financial statements of the Flagstaff Regional Housing Group, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in 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 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 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 auditors' 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 opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Flagstaff Regional Housing Group as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Flagstaff Regional Housing Group for the year ended December 31, 2016 were audited by another accounting firm who expressed an unmodified opinion on those statements in their report dated March 29, 2017.

Lethbridge, Alberta
April 3, 2018

Avail LLP

Chartered Professional Accountants

Flagstaff Regional Housing Group
Statement of Financial Position
As At December 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 310,434	\$ 565,545
Guaranteed investment certificates	431,449	425,492
Receivables (Note 4)	3,756	24,115
Prepays	<u>2,488</u>	<u>4,311</u>
	748,127	1,019,463
 Tangible capital assets (Note 5)	 <u>94,371</u>	 <u>106,801</u>
Total Assets	\$ <u>842,498</u>	\$ <u>1,126,264</u>
Liabilities		
Current		
Payables and accruals (Note 6)	\$ 51,393	\$ 369,566
Unearned income	<u>-</u>	<u>1,969</u>
	<u>51,393</u>	<u>371,535</u>
Net Assets		
Unrestricted net assets	627,457	578,346
Internally restricted net assets (Note 7)	69,277	69,582
Net assets invested in capital assets	<u>94,371</u>	<u>106,801</u>
	<u>791,105</u>	<u>754,729</u>
Total Liabilities and Net Assets	\$ <u>842,498</u>	\$ <u>1,126,264</u>

SIGNED *Chairman of the Board of Directors*



SIGNED *Member of the Board of Directors*



Flagstaff Regional Housing Group
Statement of Changes in Net Assets
for the Year Ended December 31, 2017

	2017			2016
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 7)	Net Assets Invested In Capital Assets	Total
Beginning balance	\$ 578,346	\$ 69,582	\$ 106,801	\$ 754,729
Excess (Deficiency) of revenue over expenses	36,376	-	-	36,376
Transfer to internally restricted net assets	(2,179)	2,179	-	-
Transfer from internally restricted net assets	2,484	(2,484)	-	-
Amortization of tangible capital assets	10,180	-	(10,180)	-
Loss on disposal of assets	2,250	-	(2,250)	-
Ending balance	\$ 627,457	\$ 69,277	\$ 94,371	\$ 791,105
				\$ 754,729

Flagstaff Regional Housing Group
Statement of Operations
For the Year Ended December 31, 2017

	2017 Actual	2017 Budget (Unaudited)	2016 Actual
Revenue			
Accommodation	\$ 439,686	\$ 442,643	\$ 339,290
Grants	90,518	120,389	122,090
Recoveries	54,605	43,775	42,641
Miscellaneous	<u>25,174</u>	<u>11,853</u>	<u>13,737</u>
	<u>609,983</u>	<u>618,660</u>	<u>517,758</u>
Expenses			
Administration management	86,004	107,125	83,500
Amortization of tangible capital assets	10,180	-	11,311
Building and ground maintenance	41,740	87,702	28,977
Conferences and travel	4,341	12,424	3,569
Equipment repairs and maintenance	3,748	-	796
Food and kitchen supplies	87,717		71,893
General administration	10,400		14,420
Insurance	551		2,867
Laundry and linen supplies	895		1,073
Lodge renewal project	4,269	-	16,550
Lodge demolition project	-	-	355,792
Professional fees	7,800		12,427
Small equipment	49,778		
Telephone	6,220		6,260
Utilities	70,523	60,000	63,993
Wages and benefits	<u>487,191</u>	<u>554,067</u>	<u>477,645</u>
	<u>871,357</u>	<u>821,318</u>	<u>1,151,073</u>
Deficiency of revenue over expenses before other items	(261,374)	(202,658)	(633,315)
(Loss) on write down of assets	<u>(2,250)</u>	<u>-</u>	<u>(262,701)</u>
Deficiency of revenue over expenses before requisitions	(263,624)	(202,658)	(896,016)
Requisitions (Note 11)	<u>300,000</u>	<u>300,000</u>	<u>445,000</u>
(Deficiency) Excess of revenue over expenses	<u>\$ 36,376</u>	<u>\$ 97,342</u>	<u>\$ (451,016)</u>

Flagstaff Regional Housing Group
Statement of Cash Flows
For the Year Ended December 31, 2017

	2017	2016
Cash provided (used) by operating activities:		
(Deficiency) excess of revenues over expenses	\$ 36,376	\$ (451,016)
Items not involving cash:		
Amortization of tangible capital assets	10,180	11,311
Loss on write down of assets	<u>2,250</u>	<u>262,701</u>
	48,806	(177,004)
Changes in operating net assets:		
Receivables	20,665	(5,354)
Prepays	1,823	(76)
Payables and accruals	(318,173)	147,986
Unearned income	<u>(2,274)</u>	<u>1,969</u>
	<u>(249,153)</u>	<u>(32,479)</u>
Cash provided (used) by investing activities:		
Purchase of tangible capital assets	-	(21,996)
Increase in investments	<u>(5,957)</u>	<u>(2,755)</u>
	<u>(5,957)</u>	<u>(24,751)</u>
Decrease in cash during the year	(255,110)	(57,230)
Cash, cash equivalents - beginning of year	<u>565,544</u>	<u>622,775</u>
Cash, cash equivalents - end of year	<u>\$ 310,434</u>	<u>\$ 565,544</u>

Flagstaff Regional Housing Group
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

2. Significant accounting policies

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

a) Use of Estimates:

The preparation of these statements requires the organization 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 statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include estimated useful lives of property and equipment and the allocation of maintenance salaries between the lodges and housing units. Actual results could differ from these estimates.

b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and balances with banks and guaranteed investment certificates with original maturities of 3 months or less.

c) Revenue recognition:

The organization 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 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.

d) Contributed supplies and services:

The organization may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations

Flagstaff Regional Housing Group
Notes to the Financial Statements
For the Year Ended December 31, 2017

2. **Significant accounting policies (cont)**

e) Tangible capital assets:

Tangible capital assets acquired are recorded at cost. When the organization 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. These assets are then amortized on a straight line method over the estimated useful life of each asset using the following annual rates:

Buildings	10 to 20 years
Equipment	10 years

When the organization recognizes that a tangible capital asset no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

f) Financial assets and liabilities:

Upon initial measurement, the organization's financial assets and liabilities are measured at fair value, which, in the case of financial asset or liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

At each reporting date, the organization measures its financial assets and liabilities at amortized cost, including any impairment in the case of financial assets. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and accruals.

With respect to financial assets measured at amortized cost, the organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the organization 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) Net assets invested in capital assets:

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

Flagstaff Regional Housing Group
Notes to the Financial Statements
For the Year Ended December 31, 2017

3. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Cash on hand and balances with banks, net of outstanding cheques and deposits	\$ 241,157	\$ 495,463
Restricted cash	<u>69,277</u>	<u>70,082</u>
	<u>\$ 310,434</u>	<u>\$ 565,545</u>

4. Receivables

	<u>2017</u>	<u>2016</u>
Resident receivables	\$ 304	\$ 3,518
Grants receivable	-	17,430
GST receivable	-	3,167
Accrued interest receivable	<u>3,452</u>	<u>-</u>
	<u>\$ 3,756</u>	<u>\$ 24,115</u>

5. Tangible capital assets

	<u>2017</u>			<u>2016</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,750	\$ -	\$ 2,750	\$ 5,000
Buildings and renovations	301,638	240,476	61,162	67,957
Furniture and equipment	<u>98,166</u>	<u>67,707</u>	<u>30,459</u>	<u>33,844</u>
	<u>\$ 402,554</u>	<u>\$ 308,183</u>	<u>\$ 94,371</u>	<u>\$ 106,801</u>

6. Payables and Accruals

	<u>2017</u>	<u>2016</u>
Accounts payable, trade	\$ 226	\$ 462
Wages and benefit remittances payable	43,667	54,213
Amounts due to related parties	-	308,099
Accrued audit fees payable	<u>7,500</u>	<u>6,792</u>
	<u>\$ 51,393</u>	<u>\$ 369,566</u>

7. Internally restricted net assets

Internally restricted funds are not available for unrestricted purposes without the approval of the Flagstaff Regional Housing Group Board. Funds are restricted for resident life enhancement purposes. In 2017 donations received less expenditures funded from reserves amounted to a decrease of \$305 in internally restricted funds for the year.

Flagstaff Regional Housing Group
Notes to the Financial Statements
For the Year Ended December 31, 2017

8. Related party transactions

The organization paid management fees of \$86,004 to Bethany Nursing Home of Camrose, Alberta for the year ended December 31, 2017 (2016 - \$83,500). Included in payables is \$ NIL (2016 - \$308,099) related to services from Bethany Nursing Home of Camrose, Alberta. 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. The Bethany Nursing Home of Camrose, Alberta acts as Chief Administrative Officer (CAO) for Flagstaff providing management, administrative, and operational support for the organization.

9. Financial instruments

The organization 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.

Market risk

The organization'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 organization 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.

Liquidity risk

Liquidity risk is the risk the organization may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The organization'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.

10. Comparative Figures

Certain comparative amounts for the prior year have been reclassified in this year's financial statements. The reclassification has no effect on the surplus (deficiency) from operations or the net assets of the organization as previously reported.

Flagstaff Regional Housing Group
Notes to the Financial Statements
For the Year Ended December 31, 2017

11. Municipal requisitions

	<u>2017</u>	<u>2016</u>
County of Flagstaff	\$ 229,506	\$ 336,160
Town of Killam	14,969	22,445
Town of Sedgewick	13,765	19,851
Town of Hardisty	14,327	20,220
Town of Daysland	11,697	17,619
Village of Forestburg	10,448	16,377
Village of Lougheed	2,605	3,952
Village of Alliance	1,400	1,960
Village of Heisler	1,283	1,972
Village of Galahad	-	1,231
Village of Strome	<u>-</u>	<u>3,213</u>
	<u>\$ 300,000</u>	<u>\$ 445,000</u>

Big Knife Lodge
Schedule of Operations
For the Year Ended December 31, 2017

	2017 Actual	2017 Budget (Unaudited)	2016 Actual
Revenue			
Accommodation	\$ 439,686	\$ 442,643	\$ 339,290
Grants	90,518	120,389	122,090
Recoveries	54,605	43,775	42,641
Miscellaneous	<u>25,173</u>	<u>11,853</u>	<u>13,736</u>
	<u>609,982</u>	<u>618,660</u>	<u>517,757</u>
Expenses			
Administration management	86,004	107,125	83,500
Amortization of tangible capital assets	10,180	-	11,311
Building and ground maintenance	41,730	87,702	27,014
Conferences and travel	4,341	12,424	1,471
Equipment repairs and maintenance	3,748	-	268
Food and kitchen supplies	87,717	-	71,893
General administration	10,152	-	14,698
Insurance	550	-	2,412
Laundry and linen supplies	895	-	1,073
Lodge renewal project	4,269	-	15,507
Professional fees	7,800	-	10,631
Small equipment	49,778	-	-
Telephone	6,220	-	6,260
Utilities	70,339	60,000	50,789
Wages and benefits	<u>487,191</u>	<u>554,067</u>	<u>476,933</u>
	<u>870,914</u>	<u>821,318</u>	<u>773,760</u>
Deficiency of revenue over expenses before requisitions	<u>\$ (260,932)</u>	<u>\$ (202,658)</u>	<u>\$ (256,003)</u>

8(a).

Flagstaff Lodge
Schedule of Operations
For the Year Ended December 31, 2017

	2017 Actual	2017 Budget (Unaudited)	2016 Actual
Revenue			
Accommodation	\$ -	\$ -	\$ -
Grants	-	-	-
Recoveries	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Expenses			
Building and ground maintenance	11	-	446
Conferences and travel	-	-	1,984
General administration	247	-	928
Insurance	-	-	453
Lodge demolition project	-	-	355,792
Professional fees	-	-	2,374
Utilities	185	-	13,882
Wages and benefits	-	-	1,450
	<u>443</u>	<u>-</u>	<u>377,309</u>
Deficiency of revenue over expenses before other items	(443)	-	(377,309)
Loss on write down of assets	<u>2,250</u>	<u>-</u>	<u>(262,701)</u>
Deficiency of revenue over expenses before other items	<u>\$ (2,693)</u>	<u>\$ -</u>	<u>\$ (640,010)</u>

8(b).