

Horizon West Housing Society

Financial Statements
March 31, 2023



Independent auditor's report

To the Directors of Horizon West Housing Society

Our qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Horizon West Housing Society (the Society) as at March 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Society's financial statements comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

As discussed in note 2, the Society amortizes its properties, which represented as at March 31, 2023, \$6,291,496 (2022 – \$6,225,221) of the capital asset cost, at a rate equal to the annual principal reduction of the related mortgage in accordance with specific policies and practices as outlined by Canada Mortgage and Housing Corporation (CMHC), the financier of the mortgage. This constitutes a departure from Canadian accounting standards for not-for-profit organizations (ASNPO).

In order to be compliant with ASNPO, properties would need to be amortized over their estimated useful life. Had the amortization of the properties financed by CMHC been calculated based on the useful life of the properties, amortization expense and excess of revenue over expenditures for the year ended March 31, 2023 should be increased by \$63,830 (2022 – \$62,890), capital assets and fund balances as at March 31, 2023 should be increased by \$1,316,992 (2022 – \$1,380,822) and the fund balances as at April 1, 2022 should be increased by \$1,380,822 (2021 – \$1,443,712).

Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the effects of this matter.

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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
September 28, 2023

Horizon West Housing Society

Statement of Financial Position

As at March 31, 2023

	2023 \$	2022 \$
Assets		
Current		
Cash	975,381	382,391
Restricted cash (note 3)	851,064	829,994
Subsidy and miscellaneous receivables	48,418	53,656
Prepaid expenses	39,281	9,934
Due from Horizon Housing Society (note 7)	684,070	1,118,128
	<hr/> 2,598,214	<hr/> 2,394,103
Capital assets (note 4)	1,095,267	1,030,318
	<hr/> 3,693,481	<hr/> 3,424,421
Liabilities		
Current		
Accounts payable and accrued liabilities	168,474	57,521
Unearned revenue	61,134	18,521
Security deposits payable	79,635	75,655
Long-term debt (note 5)	71,491	64,139
	<hr/> 380,734	<hr/> 215,836
Long-term debt (note 5)	-	71,211
Deferred contributions (note 6)	-	-
	<hr/> 380,734	<hr/> 287,047
Fund balances		
Unrestricted	1,508,848	1,487,184
Invested in capital assets	1,169,104	1,105,244
Internally restricted (note 10)	634,795	544,946
	<hr/> 3,312,747	<hr/> 3,137,374
	<hr/> 3,693,481	<hr/> 3,424,421

Approved by the Board of Directors

Wade Paget

Bryan Romanesky

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

Horizon West Housing Society

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2023

	General Fund \$	Capital Fund \$	2023 \$	2022 \$
Revenue				
Rental	729,972	-	729,972	729,178
Subsidy and grant (note 11)	555,607	-	555,607	563,859
Other	148,932	-	148,932	174,090
Interest	47,306	-	47,306	15,512
	<u>1,481,817</u>	<u>-</u>	<u>1,481,817</u>	<u>1,482,639</u>
Expenditures				
Amortization	-	1,325	1,325	-
Bad debts	766	-	766	4,911
Fundraising expense	-	-	-	-
Insurance	46,713	-	46,713	22,137
Interest on long-term debt	2,948	-	2,948	4,093
Office and administration	48,635	-	48,635	25,104
Property taxes	11,688	-	11,688	9,132
Repairs and replacements	396,733	-	396,733	150,113
Salaries and employee benefits	-	-	-	50,991
Overhead allocation	498,277	-	498,277	352,611
Utilities	299,359	-	299,359	254,691
	<u>1,305,119</u>	<u>1,325</u>	<u>1,306,444</u>	<u>873,783</u>
Excess of revenue over expenditures	176,698	(1,325)	175,373	608,856
Fund balances – Beginning of year	2,032,130	1,105,244	3,137,374	2,528,518
Interfund transfer – repayment of long-term debt	(63,860)	63,860	-	-
Fund balances – End of year	<u>2,144,968</u>	<u>1,167,779</u>	<u>3,312,747</u>	<u>3,137,374</u>

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

Horizon West Housing Society

Statement of Cash Flows

For the year ended March 31, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year (General Fund)	176,698	608,856
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	5,238	(39,248)
Prepaid expenses	(29,347)	(8,223)
Accounts payable and accrued liabilities	110,955	4,220
Due to (from) Horizon Housing Society	434,058	(1,343,513)
Unearned revenue	42,613	515
Security deposits payable	3,980	(3,010)
Recognition of deferred contributions (note 6)	-	-
	<hr/> 744,195	<hr/> (780,403)
Financing activities		
Repayment of long-term liabilities	<hr/> (63,860)	<hr/> (62,715)
Investing activities		
Capital Upgrades	(66,275)	-
Addition to restricted cash	<hr/> (21,070)	<hr/> (109,697)
	<hr/> (87,345)	<hr/> (109,697)
Increase (decrease) in cash during the year	592,990	(952,815)
Cash – Beginning of year	<hr/> 382,391	<hr/> 1,335,206
Cash – End of year	<hr/> <hr/> 975,381	<hr/> <hr/> 382,391
Supplementary information		
Interest paid	2,948	4,093
Interest received	23,848	15,512

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

Horizon West Housing Society

Notes to Financial Statements

March 31, 2023

1 Basis of operations

Horizon West Housing Society (the Society) was incorporated on March 25, 1998 under the Societies Act of Alberta and commenced operations on August 1, 1998. The Society is registered as a not-for-profit organization and is exempt from income taxes under Section 149 (1) (i) of the Income Tax Act of Canada. The Society acquires land and buildings for the purpose of providing affordable, integrated and supported homes. The Society serves tenants with a variety of vulnerabilities including people experiencing mental health challenges and other special needs.

2 Summary of significant accounting policies

The financial statements of the Society have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) except for the specific policies and practices as outlined by Canada Mortgage and Housing Corporation (CMHC), which require that properties be amortized at a rate equal to the annual principal reduction of the related mortgages.

Use of estimates

The preparation of financial statements in conformity with ASNPO 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 revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

Fund accounting

The Society follows the restricted fund method for accounting for contributions. The Society maintains the following funds:

- The General Fund contains the assets, liabilities, revenue and expenses related to the Society's operating activities (note 10).
- The Capital Fund contains the assets, liabilities, revenue and expenses related to the Society's capital assets.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or if no restricted fund exists, they are recognized in the General Fund when the related expenditures are incurred. Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from rental of the properties, including subsidies, is recognized in the period earned, on a pro rata basis over the lease term in the General Fund.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2023

Contributed assets, materials and services

Contributed assets are recorded at fair value at the date of contribution when fair value can be reasonably estimated. Contributed materials and services are recorded at fair value at the date of the donation only when the fair value can be reasonably estimated and when the materials and services are used in the normal course of the Society's operations and would otherwise have been purchased. The value of contributed assets, materials and services recognized in the financial statements in 2023 was \$nil (2022 – \$nil).

Capital assets

Capital assets that are under the agreement with CMHC are recorded at cost, and buildings and furniture and fixtures are amortized at a rate equal to the annual principal reduction of the related mortgages as specified under agreements with CMHC.

Capital improvements funded by RRAP loans are amortized on a 4% straight line basis.

Capital assets that are not under the agreement with CMHC are recorded at cost and are amortized over their estimated useful life as follows:

Buildings	4% declining balance
Furniture and equipment	20% straight line

Allocated expenditures

In the course of its operations, management allocates certain expenditures between Horizon Housing Society and Horizon West Housing Society on the basis of its best estimates of the utilization of staff and services. The method of allocation is consistent with prior years.

Cash

Cash consists of cash on hand and bank balances. Restricted cash is held for replacement reserves and tenant security deposits (note 3).

Financial instruments

The Society initially measures financial assets and financial liabilities at their fair value. It subsequently measures all its financial assets and liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash, restricted cash, investments, subsidy and miscellaneous receivables. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, accrued interest payable, due to Horizon Housing Society, security deposits payable and long-term debt.

Investments consist of guaranteed investment certificates. Investments are carried at cost with accrued interest recognized directly in the statement of operations and changes in fund balances as interest income. Investments with maturity within one year have been classified as short-term investments.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2023

3 Restricted cash

Restricted cash comprises the following:

	2023 \$	2022 \$
Internally restricted replacement reserve	772,038	754,219
Tenant security deposits	79,026	75,775
	<hr/> 851,064	<hr/> 829,994

4 Capital assets

	<hr/> 2023		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,030,318	-	1,030,318
Building	6,240,697	6,175,748	64,949
Furniture and fixtures	50,799	50,799	-
	<hr/> 7,321,814	<hr/> 6,226,547	<hr/> 1,095,267
	<hr/> 2022		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,030,318	-	1,030,318
Building	6,174,422	6,174,422	-
Furniture and fixtures	50,799	50,799	-
	<hr/> 7,255,539	<hr/> 6,225,221	<hr/> 1,030,318

Horizon West Housing Society

Notes to Financial Statements

March 31, 2023

5 Long-term debt

	2023 \$	2022 \$
2.51% CMHC mortgage, repayable in equal monthly instalments of \$1,793, including interest. Mortgage matures in April 2024. Amortization period remaining is four years.	23,026	43,594
2.51% CMHC mortgage, repayable in equal monthly instalments of \$3,774, including interest. Mortgage matures in April 2024. Amortization period remaining is four years.	48,465	91,756
	<hr/>	<hr/>
	71,491	135,350
Less: Current portion	71,491	64,139
	<hr/>	<hr/>
	0	71,211
	<hr/>	<hr/>

The land and buildings are pledged as collateral for all mortgages and have a carrying value of \$1,030,318 (2022 – \$1,030,318).

Principal repayments required under the terms of the above mortgages and loans are as follows:

	\$
2023	65,768
2024	5,723
	<hr/>
	71,491
	<hr/>

6 Related party transactions

The Society and Horizon Housing Society (HHS) have the same Board of Directors and are under common management. HHS is a registered charity incorporated under the Society's Act of Alberta and is exempt from income taxes under Section 149(1) (f) of the Income Tax Act of Canada. Horizon Housing acquires land and buildings for the purpose of providing affordable, integrated and supported homes. Horizon Housing serves tenants with a variety of vulnerabilities including people experiencing mental health challenges and other special needs.

On November 15, 2022, Horizon Housing Society (“Horizon”) and Forward Housing Association (“Forward”) entered into an agreement to combine their operations. The combination has been accounted for as a merger in accordance with Section 4449, *Combinations by Not-for-Profit Organizations* of Canadian Accounting Standards for Not-for-Profit Organizations.

The results for the year ended March 31, 2023 are those of the amalgamated entities as if they have always been combined. The prior year comparative figures show the aggregated results of the two entities when they were operating independently. The aggregated results include adjustments made to the comparative balances of both organizations to align the prior year accounting policies with those of the Society.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2023

As a result of the merger, an adjustment was made to the financial position and results of operations of Forward to align its accounting policies with those of Horizon with respect to fund accounting and the depreciation methods for the two buildings Forward owned at the time of combination.

HHS has not been consolidated in the Society's financial statements. The following is condensed financial information included in the financial statements of HHS as at March 31, 2023. These statements were prepared using the same accounting policies as the Society.

	2023 \$	Unaudited 2022 \$
Financial position		
Total assets	158,692,202	152,712,214
Total liabilities	64,763,775	57,222,104
Total fund balances	93,928,427	95,490,110
	<u>158,692,202</u>	<u>152,712,214</u>
Results of operations		
Revenue	15,823,438	22,467,241
Expenditures	17,385,121	13,523,479
Excess of revenue over expenditures	<u>(1,561,683)</u>	<u>8,943,762</u>
Cash flows		
Cash flows from operating activities	3,891,158	9,130,489
Cash flows utilized in investing activities	(7,945,861)	(38,318,993)
Cash flows from financing activities	8,317,999	24,903,942
Increase (decrease) in cash during the year	<u>4,263,296</u>	<u>(4,284,562)</u>

During the year ended March 31, 2023, the Society was allocated \$ 498,477 (2022 – \$352,611) by HHS for office and administration and salaries and benefits expenses.

	2023 \$	2022 \$
Salaries and benefits expense	-	-
Office and administration expense	-	-
Overhead allocation to Horizon West	498,277	352,611

The balances due to HHS are non-interest bearing, unsecured and have no set terms of repayment.

7 Goods and services tax

The Society is designated as a municipality pursuant to subsection 259(1) of the Excise Tax Act, entitling it to a rebate of 100% of goods and services tax (GST) paid on property and services used to supply residential units on rent-gear-to-income basis. GST is accounted for in accordance with the guidelines issued by CMHC, so the GST paid (the refundable portion) is recorded in the GST recoverable account and is included in the subsidy and miscellaneous receivable balance for financial statement purposes.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2023

8 Financial instruments

The Society holds various forms of financial instruments as disclosed in note 2. The nature of these instruments and its operations expose the Society to risks as follows.

Interest rate risk

The Society is exposed to interest rate risk at the renewal of its fixed rate borrowings. At March 31, 2023, the Society had fixed interest rates on its long-term obligations at effective rates of 2.51% (2022 – 2.51%).

Credit risk

Credit risk is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Society does not consider that it is exposed to undue credit risk.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they become due. The Society's approach to managing liquidity risk is to ensure that it receives sufficient revenues to meet debt obligations.

9 Internally restricted fund balances

Internally restricted replacement reserve – a replacement reserve has been established by the Board of Directors to facilitate the repair or replacement of major building components as approved by the Board of Directors as follows:

	2023 \$	2022 \$
Balance – Beginning of the year	544,946	435,660
Additions	150,000	150,000
Interest	23,458	4,451
Capital expenditures and repairs and maintenance	(83,609)	(45,165)
	<hr/>	<hr/>
Balance – End of year	634,795	544,946

10 Subsidy and grant schedule

	2023 \$	2022 \$
Subsidy and grant revenue		
Private landlord rent supplement (PLRS)	555,607	563,859
Capital grants	-	-
Other grants and subsidies	-	-
	<hr/>	<hr/>
	555,607	563,859

Horizon West Housing Society

Notes to Financial Statements

March 31, 2023

11 Government remittances

Government remittances consist of sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances outstanding as at March 31, 2023, \$ nil (2022 – \$nil) is included within accounts payable and accrued liabilities.