

Lookout Emergency Aid Society
Financial Statements
For the year ended March 31, 2016

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Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

To the Directors of Lookout Emergency Aid Society

We have audited the accompanying financial statements of Lookout Emergency Aid Society, which comprise the Statement of Financial Position as at March 31, 2016 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015, and net assets as at April 1 and March 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended March 31, 2015 was modified accordingly because of the effects of this limitation in scope.



Qualified Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lookout Emergency Aid Society as at March 31, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Other Matters

Without modifying our opinion, we draw attention to Note 20 to the financial statements, which explains that certain comparative information for the year ended March 31, 2015 has been restated.

The comparative figures presented in these financial statements for the year ended March 31, 2015 were audited by another firm of Chartered Professional Accountants who expressed a modified opinion in their report dated June 18, 2015.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 20, 2016

Lookout Emergency Aid Society
Statement of Financial Position

| March 31 | 2016 | 2015 |
|---|---------------|-------------------------|
| | | (restated) (Note 20) |
| Assets | | |
| Current | | |
| Cash | \$ 4,079,267 | \$ 4,752,001 |
| Investments (Note 4) | 480,382 | 2,512,240 |
| Accounts receivable | 381,198 | 842,954 |
| Goods and sales tax recoverable | 83,149 | 92,321 |
| Prepaid expenses and deposits | 134,982 | 145,587 |
| | 5,158,978 | 8,345,103 |
| Investments (Note 4) | 4,318,166 | 1,707,107 |
| Due from BC Housing Management Commission (Note 5) | 317,827 | 317,827 |
| Capital assets (Note 6) | 34,617,696 | 34,624,113 |
| | \$ 44,412,667 | \$ 44,994,150 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 2,467,775 | \$ 3,206,730 |
| Security deposits | 116,873 | 116,713 |
| Deferred contributions | 2,003,136 | 1,905,317 |
| Due to Foundation (Note 8) | 471,089 | 180,424 |
| Current portion of mortgages payable (Note 10) | 586,054 | 583,040 |
| Current portion of forgivable loans payable (Note 11) | 70,485 | 48,670 |
| Current portion of long-term deferred capital contributions (Note 12) | 694,406 | 664,199 |
| | 6,409,818 | 6,705,093 |
| External replacement and renovation reserves (Note 9) | 2,916,794 | 3,185,462 |
| Mortgages payable (Note 10) | 15,639,627 | 16,220,896 |
| Forgivable loans payable (Note 11) | 2,311,392 | 2,381,877 |
| Long-term deferred capital contributions (Note 12) | 12,268,472 | 11,603,330 |
| | 39,546,103 | 40,096,658 |
| Net Assets | | |
| Invested in capital assets | 3,365,087 | 3,439,928 |
| Internally restricted | 1,634,171 | 1,610,921 |
| Unrestricted operating | (132,694) | (153,357) |
| | 4,866,564 | 4,897,492 |
| | \$ 44,412,667 | \$ 44,994,150 |

Director

Director

Lookout Emergency Aid Society
Statement of Operations

| For the year ended March 31 | 2016 | 2015 |
|--|--------------------|-------------------------|
| | | (restated) (Note 20) |
| Revenues | | |
| British Columbia Housing Management Commission | \$ 15,240,625 | \$ 11,894,642 |
| Other provincial grants | 264,113 | 35,908 |
| Vancouver Coastal Health Authority | 4,155,602 | 4,096,782 |
| Fraser Health Authority | 806,837 | 384,510 |
| Municipal grants | 131,491 | 101,245 |
| Not-for profit grants | 216,310 | - |
| Service Canada | 12,733 | 29,168 |
| Amortization of deferred contributions | 666,906 | 542,485 |
| Rental income | 2,594,955 | 2,680,107 |
| Donations (Note 15) | 342,312 | 522,503 |
| Client user fees | 368,408 | 140,048 |
| Tenant expense recoveries | 113,354 | 107,656 |
| Other revenues (Note 16) | 269,613 | 285,706 |
| | 25,183,259 | 20,820,760 |
| Expenses | | |
| Salaries and benefits | 15,346,976 | 14,199,379 |
| Amortization of capital assets | 1,368,714 | 1,313,352 |
| Food | 1,225,215 | 1,119,014 |
| Renovations, repairs and maintenance | 899,197 | 1,025,041 |
| Interest on long-term debt | 820,406 | 830,293 |
| Utilities | 832,476 | 814,202 |
| Program supplies | 1,295,488 | 804,052 |
| Office and general | 467,024 | 544,528 |
| Administration fee (Note 8) | 1,350,242 | 403,070 |
| Service contracts | 270,640 | 246,018 |
| Professional fees | 278,115 | 205,738 |
| Rent supplements | 557,708 | 194,581 |
| Telephone and internet | 147,394 | 123,437 |
| Insurance | 102,270 | 90,417 |
| Transportation and travel | 106,967 | 72,111 |
| Staff training | 89,689 | 60,465 |
| Property taxes | 55,666 | 46,485 |
| | 25,214,187 | 22,092,183 |
| Deficiency of revenues over expenses | \$ (30,928) | \$ (1,271,423) |

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

Lookout Emergency Aid Society
Statement of Changes in Net Assets

For the year ended March 31, 2016

| | Invested in Capital Assets | Internally Restricted | Unrestricted | Total |
|---|-------------------------------|--------------------------|--------------|--------------|
| Balance, April 1, 2015, previously stated | \$ 4,260,562 | \$ 1,610,921 | \$ (153,357) | \$ 5,718,126 |
| Prior period adjustment (Note 20) | (820,634) | - | - | (820,634) |
| Balance, April 1, 2015, restated | 3,439,928 | 1,610,921 | (153,357) | 4,897,492 |
| Excess (deficiency) of revenues over expenses | (653,138) | - | 622,210 | (30,928) |
| Acquisition of capital assets | 1,362,297 | - | (1,362,297) | - |
| Interfund transfers | (784,000) | 23,250 | 760,750 | - |
| Balance, March 31, 2016 | \$ 3,365,087 | \$ 1,634,171 | \$ (132,694) | \$ 4,866,564 |

Lookout Emergency Aid Society
Statement of Cash Flows

| For the year ended March 31 | 2016 | 2015 (Restated) (Note 20) |
|--|--------------|---------------------------------|
| Operating Activities | | |
| Deficiency of revenues over expenses | \$ (30,928) | \$ (1,271,423) |
| Adjustments for non-cash items: | | |
| Amortization of deferred contributions | (666,906) | (542,485) |
| Recognition of forgivable loan payable | (48,670) | (48,670) |
| Amortization | 1,368,714 | 1,313,352 |
| Net assets gifted by Keys Housing and Health Solutions Society | - | (77,577) |
| Unrealized losses on investments measured at fair value | (44,872) | 11,862 |
| | 577,338 | (614,941) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 461,756 | (132,602) |
| Goods and sales tax recoverable | 9,172 | (30,828) |
| Prepaid expenses and deposits | 10,605 | 157,887 |
| Accounts payable and accrued liabilities | (738,955) | 751,981 |
| Deferred contributions | 1,460,074 | 1,431,616 |
| Security deposits | 160 | (2,000) |
| Due to Foundation | 290,665 | 99,543 |
| | 2,070,815 | 1,660,656 |
| Financing Activities | | |
| Repayment of mortgages payable | (578,255) | (544,792) |
| Replacement and renovation reserves | (268,668) | (80,503) |
| | (846,923) | (625,295) |
| Investing Activities | | |
| Change in investments, net | (534,329) | 700,345 |
| Acquisition of capital assets | (1,362,297) | (2,650,494) |
| Cash gifted by Keys Housing and Health Solutions Society | - | 171,313 |
| | (1,896,626) | (1,778,836) |
| Increase in cash during the year | (672,734) | (743,475) |
| Cash, beginning of year | 4,752,001 | 5,495,476 |
| Cash, end of year | \$ 4,079,267 | \$ 4,752,001 |

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

March 31, 2016

1. General

Lookout Emergency Aid Society (the "Society") was incorporated on July 19, 1974 under the laws of the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act. The Society provides housing and a range of support services to adults with low or no income who have few, if any, housing or support options. The Society operates sixty-three programs located within twenty-six sites and includes eight hundred subsidized housing units.

On November 30, 2014, the Society entered into an Acquisition Agreement (the "Agreement") with Keys Housing and Health Solutions Society (the "Keys"). The Agreement set the terms whereby Keys gifted all of its properties, assets, liabilities, and obligations to the Society, thus merging the operations of Keys into the operations of the Society.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following significant accounting policies:

(a) Revenue Recognition

The Society follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and other sources of revenue are recognized on an accrual basis over the terms of the program contracts if the amount to be received can be reasonably estimated and collection can be reasonably assured.

Revenue is recognized from various sources as outlined below:

- (i) Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.
- (ii) Restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increase in net assets.
- (iii) 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.
- (iv) Capital contributions received for the acquisition of buildings, replacement and renovation reserves, are deferred and amortized at the same rate as the amortization of the cost of the related building.

March 31, 2016

2. Summary of Significant Accounting Policies (Continued)

(a) Revenue Recognition (continued)

- (v) Investment income includes dividend and interest income recorded on the accrual basis, as well as realized investment gains and losses and unrealized gains and losses on financial instruments subsequently measured at fair value. Investment income is included in the statement of operations, deferred or reported directly in net assets depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(b) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated using the straight-line method over their estimated useful lives. The amortization periods applicable to the various classes of property and equipment are as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 15 - 40 years |
| Leased land | 60 years |
| Furniture and fixtures | 5 years |
| Automotive | 3 years |
| Computer hardware | 3 years |

The leased land is recorded at historical cost less accumulated amortization. Upon expiration of the lease contract, the property will revert to the lessor.

(c) Contributed Materials and Services

Contributed materials are recorded, when received, at their fair value.

According to management, 4,277 (2015 - 4,676) volunteers contributed approximately 48,987 hours (2015 - 48,107 hours) to assist the Society in carrying out its services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(d) Employee Future Benefits

The Society and its employees make contributions to the Municipal Pension Plan and the employees accrue benefits under this Plan based on service. The Society's contributions to the Plan are expensed when incurred.

March 31, 2016

2. Summary of Significant Accounting Policies (Continued)

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the Society's management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

(f) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains or losses reported in operations. In addition, all bonds and guaranteed investments certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at costs or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value and added to the financial instrument's cost for those measured at amortized cost.

3. Financial Instrument Risks

The Society through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2016. There have not been any changes in the risks from the prior year.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on the financial instruments.

The Society manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. The interest rates on the mortgages are fixed. Therefore, the Society is not exposed to significant interest rate risk.

Lookout Emergency Aid Society
Notes to the Financial Statements

March 31, 2016

3. Financial Instrument Risks (Continued)

(b) Credit Risk

Credit risk is the risk that the Association will incur a loss due to the failure by its debtors to meet their contractual obligations. The organization is exposed to credit risk arising from its accounts receivable, which is managed by initiating a prompt collection process.

(c) Liquidity Risk

Liquidity risk is the risk that the Association will not be able to meet its obligations as they fall due. The Association maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Society's exposure to foreign exchange risk is not material.

4. Investments

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Term deposits maturing between September 2018 and October 2018, at rates varying from 1.10% to 2.20% (2015 - maturing between September 2015 and February 2016, at rates varying from 1.55% to 3.30%) | \$ 2,480,382 | \$ 2,332,745 |
| Government bonds maturing up to December 2020, at rates varying from 4.39% to 6.16% (2015 - 4.39% to 6.16%) | 605,475 | 1,083,451 |
| RBC Premium Money Markey Fund | 1,701,466 | 796,143 |
| Royal Bank of Canada shares | 11,225 | 7,008 |
| | 4,798,548 | 4,219,347 |
| Less: current portion | (480,382) | (2,512,240) |
| | <u>\$ 4,318,166</u> | <u>\$ 1,707,107</u> |

The above investments include \$2,916,794 (2015 - \$3,185,462) which is subject to restrictions as described in Note 9.

Lookout Emergency Aid Society
Notes to the Financial Statements

March 31, 2016

5. Due from BC Housing Management Commission

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Cash held in trust by BC Housing relating to the Rhoda Kaellis Residence | \$ 317,827 | \$ 317,827 |

6. Capital Assets

| | Cost | Accumulated Amortization | 2016 Net Book Value | 2015 Net Book Value (restated) |
|----------------------------|----------------------|-----------------------------|---------------------------|---|
| Land | \$ 3,141,357 | \$ - | \$ 3,141,357 | \$ 3,141,357 |
| Buildings and improvements | 43,918,852 | 15,011,962 | 28,906,890 | 28,395,461 |
| Leased land | 3,224,436 | 934,660 | 2,289,776 | 2,343,477 |
| Furniture and fixtures | 883,900 | 716,154 | 167,746 | 71,463 |
| Automotive | 338,295 | 256,160 | 82,135 | 86,051 |
| Computer hardware | 210,895 | 181,103 | 29,792 | 42,560 |
| Construction in progress | - | - | - | 543,744 |
| | \$ 51,717,735 | \$ 17,100,039 | \$ 34,617,696 | \$ 34,624,113 |

The construction costs in prior year were related to the Jeffery Ross Residence and Yukon Housing Centre and were reallocated to buildings and improvements in capital assets in the current year.

7. Accounts Payable and Accrued Liabilities

| | 2016 | 2015 |
|--------------------------------|---------------------|---------------------|
| Accounts payable | \$ 933,013 | \$ 1,020,170 |
| Due to BC Housing (Note 19) | - | 676,169 |
| Payroll liability | 546,796 | 425,637 |
| Accrued benefits | 926,585 | 881,692 |
| Other accruals | 55,000 | 55,000 |
| Government remittances payable | 6,381 | 148,062 |
| | \$ 2,467,775 | \$ 3,206,730 |

Lookout Emergency Aid Society
Notes to the Financial Statements

March 31, 2016

8. Due to Foundation

The Lookout Foundation (the "Foundation") was incorporated under the laws of the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act. The Foundation is not a controlled entity of the Society as the organizations have independent boards of directors with no common board members. The amount owing to the Foundation is non-interest bearing, unsecured and repayable on demand.

During the year, the Society paid administration fees for administrative and financial services. The transactions are recorded at the exchange amount, being the consideration established and agreed to by the related parties.

9. External Replacement and Renovation Reserves

| | 2015 | Interest | Annual Allocation | Expenditures | 2016 |
|----------------------------|---------------------|------------------|----------------------|---------------------|--------------------|
| Replacement Reserve | | | | | |
| Jim Green | \$ 827,836 | \$ 8,744 | \$ - | \$ (245,338) | \$ 591,242 |
| Yukon Housing Centre | 571,881 | 6,569 | - | (84,267) | 494,183 |
| Al Mitchell Place | 343,881 | 4,405 | 22,800 | - | 371,086 |
| Cliff Block | 317,403 | 3,752 | - | (29,661) | 291,494 |
| Jeffrey Ross | 267,758 | 2,957 | - | (58,624) | 212,091 |
| First Place | 282,106 | 3,974 | 92,880 | (16,045) | 362,915 |
| Rhoda Kaellis | 80,684 | 1,052 | 17,280 | (8,975) | 90,041 |
| Ross Annex | 43,454 | 562 | 10,000 | (6,318) | 47,698 |
| Renovation Reserve | | | | | |
| Al Mitchell Place | 450,459 | 5,585 | - | - | 456,044 |
| | <u>\$ 3,185,462</u> | <u>\$ 37,600</u> | <u>\$ 142,960</u> | <u>\$ (449,228)</u> | <u>\$2,916,794</u> |

Under the terms of the agreements with BC Housing and Canada Mortgage and Housing Corporation ("CMHC"), the Replacement Reserve accounts are to be credited in the amount determined by the budget provision per annum plus interest earned. These funds along with the accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation; or in investments guaranteed by the Canadian Government. Also, under the BC Housing agreements, the funds may be invested in other investment instruments if agreed upon with BC Housing. See Note 4 for details of these investments.

Lookout Emergency Aid Society
Notes to the Financial Statements

March 31, 2016

10. Mortgages Payable

| | 2016 | 2015 |
|--|--------------|---------------|
| <p>TD Canada Trust mortgage, bearing interest at 4.16% per annum, repayable in monthly payments of \$31,906 including principal and interest. The repayment terms are due for renewal on January 1, 2021. Secured by a fixed charge on real property and an assignment of rents. (Rhoda Kaellis Residence: 1105 Royal Avenue, New Westminster)</p> | \$ 6,561,737 | \$ 6,668,388 |
| <p>Royal Bank mortgage, bearing interest at 8.25% per annum, repayable in monthly payments of \$37,489 including principal and interest. The repayment terms are due for renewal on May 1, 2016. Secured by a fixed charge on real property. (Jim Green Residence: 415 Alexander Street)¹</p> | 3,919,510 | 4,045,819 |
| <p>TD Canada Trust mortgage, bearing interest at 4.67% per annum, repayable in monthly payments of \$17,297 including principal and interest. The repayment terms are due for renewal on May 1, 2017. Secured by a fixed charge on real property and an assignment of rents. (Yukon Housing Centre: 2088 Yukon Street)</p> | 2,799,758 | 2,874,061 |
| <p>Canada Mortgage and Housing Corporation mortgage, bearing interest at 2.61% per annum, repayable in monthly payments of \$14,378 including principal and interest. The repayment terms are due for renewal on December 1, 2023. Secured by a fixed charge on real property. (Jeffrey Ross Residence: 510 Alexander Street)</p> | 1,871,421 | 1,993,168 |
| <p>TD Canada Trust mortgage, bearing interest at 2.74% per annum, repayable in monthly payments of \$2,688 including principal and interest. The repayment terms are due for renewal on July 1, 2018. Secured by a fixed charge on real property. (Cliff Block Residence: 606 Clarkson Street, New Westminster)</p> | 539,557 | 556,783 |
| <p>Vancouver City Savings Credit Union mortgage, bearing interest at 3.25% per annum, repayable in monthly payments of \$2,469 including principal and interest. The repayment terms are due for renewal on December 5, 2019. Secured by a fixed charge on real property. (Surrey Residence: 11184 and 11186 143A Street, Surrey)</p> | 432,394 | 447,643 |
| <p>Carried forward</p> | \$16,124,377 | \$ 16,585,862 |

Lookout Emergency Aid Society
Notes to the Financial Statements

March 31, 2016

10. Mortgages Payable (Continued)

| | 2016 | 2015 |
|--|--------------|---------------|
| Carried forward | \$16,124,377 | \$ 16,585,862 |
| Canada Mortgage and Housing Corporation mortgage, bearing interest at 4.37% per annum, repayable in monthly payments of \$10,328 including principal and interest. The repayment terms are due for renewal on January 1, 2017. Secured by a fixed charge on real property. (Downtown Housing Centre: 346 Alexander Street) | 101,304 | 218,074 |
| | 16,225,681 | 16,803,936 |
| Less: current portion | (586,054) | (583,040) |
| | \$15,639,627 | \$ 16,220,896 |

¹Subsequent to year end, this mortgage was renewed with Peoples Trust Company, bearing interest at 2.40% per annum, repayable in monthly payments of \$25,792 including principal and interest. The repayment terms are due for renewal on May 1, 2026.

Principal payments due in the next five years and thereafter are as follows:

| | |
|------------|---------------|
| 2017 | \$ 586,054 |
| 2018 | 508,882 |
| 2019 | 534,608 |
| 2020 | 562,845 |
| 2021 | 594,124 |
| Thereafter | 13,439,168 |
| | \$ 16,225,681 |

Lookout Emergency Aid Society
Notes to the Financial Statements

March 31, 2016

11. Forgivable Loans Payable

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| <p>British Columbia Housing and Management Commission forgivable loan is non-interest bearing and will be earned over twenty-five years beginning on the first day of the eleventh year following the commencement date of January 1, 2009. If there is a default under the loan agreement, unearned principal plus interest of 2% per annum in excess of the prime rate computed from the date of default will be repayable. Secured by a fixed charge on real property. (Rhoda Kaellis Residence: 1105 Royal Avenue, New Westminster)</p> | \$ 1,650,000 | \$ 1,650,000 |
| <p>British Columbia Housing and Management Commission forgivable loan is non-interest bearing and will be earned over twenty-five years beginning on the first day of the eleventh year following the commencement date of April 1, 2005. If there is a default under the loan agreement, unearned principal plus interest of 2% per annum in excess of the prime rate computed from the date of default will be repayable. Secured by a fixed charge on real property. (North Shore Transitional Housing: 705 West 2nd Street, North Vancouver)</p> | 523,565 | 545,380 |
| <p>Canada Mortgage and Housing Corporation forgivable loan is non-interest bearing and will be earned over fifteen years at a rate of \$27,470 annually, beginning on December 1, 2005. If there is a default under the loan agreement, unearned principal computed from the date of default will be repayable. Terms expire on November 1, 2020. Secured by a fixed charge on real property. (North Shore Shelter: 705 West 2nd Street, North Vancouver)</p> | 150,012 | 155,667 |
| <p>Canada Mortgage and Housing Corporation forgivable loan bears interest at 8.125% per annum and will be earned over fifteen years at the rate of \$21,200 annually, beginning on January 1, 2004. If there is a default under the loan or the operating agreement, unearned principal plus interest computed from the date of default will be repayable. Terms expire on January 1, 2019. Secured by a fixed charge on real property. (Cliff Block Residence: 606 Clarkson Street, New Westminster)</p> | 58,300 | 79,500 |
| <p>Less: amount to be recognized as revenue next year</p> | 2,381,877 (70,485) | 2,430,547 (48,670) |
| | \$ 2,311,392 | \$ 2,381,877 |

Lookout Emergency Aid Society
Notes to the Financial Statements

March 31, 2016

12. Long-Term Deferred Capital Contributions

| | 2016 | 2015 |
|--|---------------------|----------------------|
| Service Canada | \$ 5,050,833 | \$ 6,391,149 |
| BC Housing | 5,291,561 | 4,319,831 |
| Other capital grants | 2,620,484 | 1,556,549 |
| | <u>12,962,878</u> | <u>12,267,529</u> |
| Less: amount to be recognized as revenue next year | (694,406) | (664,199) |
| | <u>\$12,268,472</u> | <u>\$ 11,603,330</u> |

13. Employee Future Benefits

The Society and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Plan's board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. Plan membership is broken down into about 185,000 active members, 80,000 retired members, and 33,000 inactive members. Active members include approximately 185 (2015 - 190) contributors from the Society. The Plan holds assets in excess of \$40 billion.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as of December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2015, with results available later in 2016. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan. The Society paid \$696,074 (2015 - \$693,449) for employer contributions to the Plan in fiscal 2016.

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14. Internally Restricted Net Assets

| | Replacement Reserve | Renovation Reserve | Health and Training Reserves | Infrastructure Reserve | Accommodation Reserve | Capital Reserve | 2016 Total |
|---|---------------------|--------------------|------------------------------|------------------------|-----------------------|-----------------|--------------|
| Internally restricted net assets, beginning of year | \$ 204,402 | \$ 25,186 | \$ 40,072 | \$ 275,000 | \$ 46,180 | \$ 1,020,081 | \$ 1,610,921 |
| Transfers received | 22,000 | 1,250 | - | - | - | - | 23,250 |
| Internally restricted net assets, end of year | \$ 226,402 | \$ 26,436 | \$ 40,072 | \$ 275,000 | \$ 46,180 | \$ 1,020,081 | \$ 1,634,171 |

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15. Donations

| | 2016 | 2015 |
|-------------------|-------------------|-------------------|
| Cash donations | \$ 134,993 | \$ 209,277 |
| Donations-in-kind | 207,319 | 313,226 |
| | <u>\$ 342,312</u> | <u>\$ 522,503</u> |

16. Other Revenues

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Interest | \$ 68,541 | \$ 102,367 |
| Miscellaneous | 152,402 | 57,092 |
| Recognition of forgivable loans | 48,670 | 48,670 |
| Net assets gifted by Keys Housing and Health Solutions Society | - | 77,577 |
| | <u>\$ 269,613</u> | <u>\$ 285,706</u> |

17. Commitments

The Society leases office premises under various operating lease arrangements. The required minimum lease payments for base rent until lease maturity are as follows:

| | |
|------|-------------------|
| 2017 | \$ 279,600 |
| 2018 | 279,600 |
| 2019 | 209,600 |
| 2020 | 102,600 |
| 2021 | 3,600 |
| | <u>\$ 875,000</u> |

In addition, the Society is required to pay property taxes, repairs and maintenance and other costs related to the properties.

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18. Contingent Liabilities

In 2003, the Society entered into two agreements with BC Housing dated May 10, 2002. Under the agreements, BC Housing provided for the funding to the Society to enable the Society to complete building envelope repairs to the Jeffrey Ross Residence and the Jim Green Residence. The funding was comprised partially of repayable subsidies and loans. At the option of BC Housing, the repayable subsidy portion of the funding may be repaid to BC Housing from the proceeds of litigation, if any. The loan portion of the funding is secured by a mortgage, which will rank behind existing mortgage financing, over the buildings.

19. Subsidiary Adjustments

BC Housing conducts an annual review of the financial statements and may adjust for any operating surplus or deficit. Funding adjustments are accrued in the fiscal year they are determined. During the current year, subsidies of \$Nil (2015 - \$676,169) were accrued to BC Housing for operating net surpluses for the 2014 and prior fiscal years.

20. Prior Period Adjustment

In previous years, the Society used the reduction in mortgage principal method for its amortization for certain buildings acquired under agreements with British Columbia Housing Management Commission. Under this method, the initial costs of buildings were amortized proportionately to the amount of the reduction in the related mortgage principal. Buildings are normally amortized over their useful life using a rational or systematic manner similar to the straight-line method.

The amortization on these buildings has been restated based on an estimated useful life of 40 years and as a result, tangible capital assets, net assets invested in capital assets, amortization expense and the financial statements have been retroactively adjusted. The net effect of the adjustment is as follows:

| | 2015 (restated) | 2015 (previously reported) | 2015 (change) |
|---------------------------------------|--------------------|----------------------------------|------------------|
| Tangible capital assets | \$ 34,624,113 | \$ 34,901,003 | \$ (276,890) |
| Net assets invested in capital assets | \$ 3,439,928 | \$ 4,260,562 | \$ (820,634) |
| Amortization expense | \$ 1,313,352 | \$ 1,378,670 | \$ (65,318) |

21. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.