

Appendix B:

Permissive Tax Exemption Applications
Recommended for Approval



APPLICATION FORM FOR PERMISSIVE
EXEMPTION FROM PROPERTY TAXATION
FOR 2017-2019

(Section 224 of the Community Charter)

1. **IDENTIFICATION OF APPLICANT:**

Organization name: Victoria Cool Aid Society

Are you registered under the *Societies Act*? Yes ☒ No ☐

Are you a registered charity? Yes ☒ No ☐

Mailing Address: 102-749 Pandora Ave, Victoria BC V8W 1N9

Contact Person: Jacqueline Mack Email Address: [REDACTED]

Telephone Number: [REDACTED] Fax Number: [REDACTED]

Preferred method of application reminder: Email ☒ Mail ☐

2. **PROPERTY** (complete a separate form for each property)

Folio Number: 10736017 Address: 584 Burnside Rd E

Legal Description: Lot 4, section 4, Victoria, Plan 110 except that part in plans 6903 and 14497

Registered Owner (if different than above): Victoria Cool Aid Society

3. **ABOUT YOUR ORGANIZATION:** Please provide a brief description of the goals and objectives of the organization.

We act to end homelessness by working in partnership with others to develop community-based solutions. We are committed to working in a non-judgmental way with adults experiencing marginalization in Greater Victoria by advocating for and providing emergency shelter, supportive housing, integrated health care and other support services. Beginning in 1968 as an emergency shelter for transient youth, the organization is continuing today with 13 buildings containing 412 apartments.

4. **PRINCIPAL USE OF THIS PROPERTY:** Please provide a brief description of the principal use of the property and how this use benefits the community.

This location will provide supportive housing for up to 51 tenants under an operator agreement with BC Housing. Additional support services from our other Cool Aid programs, such as life skill development, medication monitoring, health care services including dental, and volunteer opportunities will be provided to the residents.



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(Section 224 of the Community Charter)

5. **COMMERCIAL ACTIVITY:** Please provide a brief description of any commercial activities that your organization conducts on this property.

There will be nominal revenue generated from parking and meeting room rental to other non-profit organizations.

6. **LEASED SPACE:** Please attach any and all lease agreements for any portion of the identified property that your organization rents or leases to another organization or individual.

7. **CATEGORY:** Please select the applicable permissive tax exemption category for which you are applying (for further explanation of permissive tax exemption categories please read the full text of the Permissive Tax Exemption policy found at www.victoria.ca/permissive):

| | | | |
|---------------------|-------------------------------------|--------------------------------|--------------------------|
| Social Service | <input checked="" type="checkbox"/> | Arts & Cultural Facility | <input type="checkbox"/> |
| Place of Worship | <input type="checkbox"/> | Athletic/Recreational Facility | <input type="checkbox"/> |
| Rail/Track Property | <input type="checkbox"/> | | |

Educational Facility: Independent School Classification: Group 1 ☐ 2 ☐ 3 ☐ 4 ☐

Supportive Housing

- | | |
|-------------------------------------|-------------------------------------|
| • Temporary or transitional housing | <input checked="" type="checkbox"/> |
| • Treatment program | <input type="checkbox"/> |
| • Permanent facility | <input type="checkbox"/> |
| • Supportive staff | <input type="checkbox"/> |
| • Group home | <input type="checkbox"/> |
| • Special needs/disability housing | <input type="checkbox"/> |

8. **PUBLIC ACKNOWLEDGEMENT:** All recipients of City of Victoria permissive tax exemptions are required to publicly acknowledge the exemption. How does your organization plan on publicly acknowledging the exemption?

The City of Victoria is acknowledged on the agency web site and included in the annual report.



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(Section 224 of the Community Charter)

9. **FINANCIAL STATEMENTS:** Attach your most recent financial statements.

10. **PROPERTY OWNERSHIP:** Do you plan on selling any portion of the property during 2017 – 2019?

Yes

☐

No

☒

11. **DECLARATION:**

I am an authorized signing officer of the organization and I certify that the information given in this application is correct. Should a permissive tax exemption be granted on the above listed property, I agree to the following terms:

- If the property is sold prior to the exemption expiration, the organization will remit to the City an amount equal to the taxes that would have otherwise been payable to the City by a non-exempt owner.
- The property use will be in compliance with all applicable municipal policies and bylaws.
- The organization will publicly acknowledge the permissive tax exemption granted by the City.

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Date: 2017.05.26 12:31:29 -07'00'

Signature

Hope Roberts

Name (please print)

Director of Finance

Position

May 26, 2017

Date

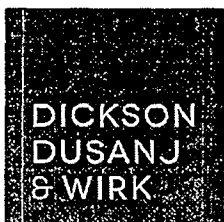
Financial Statements of

Victoria Cool Aid Society

Year Ended March 31, 2016

DICKSON
DUSANJ
& WIRK

CHARTERED
PROFESSIONAL
ACCOUNTANTS



CHARTERED
PROFESSIONAL
ACCOUNTANTS

Independent Auditors' Report

To: The Members of the Victoria Cool Aid Society

Report on Financial Statements

We have audited the accompanying financial statements of the Victoria Cool Aid Society (the "Society"), which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in net assets and cash flows for the year ended March 31, 2016 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Victoria Cool Aid Society as at March 31, 2016 and the results of its operations and changes in net assets and cash flows for the year ended March 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.



CHARTERED
PROFESSIONAL
ACCOUNTANTS

Report on Other Legal and Regulatory Requirements

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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.

Dickson Dusanj & Wirk

June 9, 2016
Victoria, B.C.

Chartered Professional Accountants

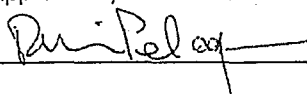
Victoria Cool Aid Society

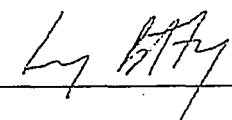
Statement of Financial Position

As at March 31, 2016 with comparative figures for 2015

| | 2016 \$ | 2015 \$ |
|--|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash and short-term investments (Note 3) | 5,155,405 | 3,288,882 |
| Accounts receivable | 685,414 | 472,327 |
| Inventory | 113,413 | 82,070 |
| Prepaid expenses | 56,425 | 60,799 |
| | <u>6,010,657</u> | <u>3,904,078</u> |
| Cash – Replacement Reserves – B.C. Housing (Note 4) | 1,163,655 | 1,104,806 |
| Cash – Replacement Reserves – Shelters (Note 5) | 30,327 | 30,030 |
| Cash – Mike Gidora Vision Fund (Note 6) | 27,947 | 28,878 |
| Cash – Gaming Fund (Note 7) | 100,000 | 100,000 |
| Long-term accounts receivable (Note 8) | 207,870 | 207,870 |
| Prepaid leases (Note 9) | 539,133 | 607,333 |
| Property and equipment (Note 10) | <u>27,476,261</u> | <u>29,615,952</u> |
| Total assets | 35,555,850 | 35,598,947 |
| Liabilities | | |
| Current | | |
| Bank loan payable | 125,617 | 152,683 |
| Accounts payable and accrued liabilities | 1,664,815 | 1,513,869 |
| Government remittances payable | 81,495 | 126,545 |
| Security deposits | 121,421 | 122,995 |
| Deferred contributions (Note 11) | 2,339,030 | 1,581,001 |
| Current portion of long-term debt (Note 14) | <u>723,195</u> | <u>2,894,459</u> |
| | <u>5,055,573</u> | <u>6,391,552</u> |
| Deferred contributions related to Mike Gidora Vision (Note 11) | 27,947 | 28,880 |
| Deferred contributions related to gaming (Note 11) | 100,018 | 100,037 |
| Deferred contributions related to land lease (Note 12) | 158,522 | 182,910 |
| Deferred contributions related to property and equipment (Note 13) | 6,540,305 | 7,043,742 |
| Long-term debt (Note 14) | <u>19,451,388</u> | <u>17,980,890</u> |
| Total liabilities | 31,333,753 | 31,728,011 |
| Net Assets | | |
| Invested in property and equipment (Note 16) | 1,676,940 | 2,574,070 |
| Externally restricted replacement reserves – B.C. Housing (Note 4) | 1,125,009 | 1,013,812 |
| Internally restricted (Note 17) | 1,338,410 | 338,113 |
| Unrestricted | 81,738 | (55,059) |
| Total net assets | 4,222,097 | 3,870,936 |
| Total liabilities and net assets | 35,555,850 | 35,598,947 |

Approved by the board:-

 Director

 Director

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Operations

Year ended March 31, 2016 with comparative figures for 2015

| | 2016 \$ | 2015 \$ |
|--|-------------------|-------------------|
| Revenue | | |
| B.C. Housing Management Commission | 8,206,911 | 7,915,120 |
| Pharmacy revenue | 4,786,179 | 2,344,021 |
| Island Health Authority | 3,473,565 | 3,314,662 |
| Rental income and occupancy fees | 2,083,251 | 2,054,855 |
| Island Health Authority - physician | 904,400 | 817,045 |
| Forensic Psychiatric Services Commission | 693,308 | 693,308 |
| Fees - dental | 658,809 | 663,086 |
| Donations | 381,596 | 208,578 |
| Amortization of deferred contributions | 336,351 | 364,463 |
| Research grants | 170,350 | 201,008 |
| Other | 162,237 | 129,824 |
| United Way | 127,930 | 110,603 |
| Other grants | 103,930 | 102,754 |
| Gaming - Direct Access | 100,000 | 100,000 |
| Utilization of deferred revenue | 96,832 | 108,435 |
| CMHC Loan Forgiveness | 42,388 | 43,975 |
| Investment income | 37,941 | 42,197 |
| | <u>22,365,978</u> | <u>19,213,934</u> |
| Expenses | | |
| Salaries and benefits | 11,336,570 | 11,039,348 |
| Supplies and equipment - health centre | 4,095,598 | 1,741,356 |
| Building occupancy costs | 1,674,980 | 1,737,114 |
| Amortization | 1,049,217 | 1,030,414 |
| Program expense and client support | 1,035,804 | 956,171 |
| Physician fees | 904,398 | 817,076 |
| Mortgage interest and loan fees | 695,008 | 745,823 |
| Dentist fees | 295,847 | 278,312 |
| Professional fees | 176,631 | 80,075 |
| Amounts transferred to replacement reserves | 148,921 | 148,916 |
| Office supplies and equipment | 148,005 | 144,926 |
| Computer consultant | 145,690 | 153,684 |
| Advertising, promotion, and fundraising | 121,954 | 103,065 |
| Travel and vehicle expenses | 109,576 | 93,141 |
| Gaming expense | 101,024 | 101,361 |
| Staff development and training | 55,054 | 78,136 |
| Miscellaneous | 33,225 | 8,223 |
| Licenses, memberships and dues | 25,866 | 21,589 |
| Bank charges and interest | 19,414 | 17,952 |
| | <u>22,172,782</u> | <u>19,296,682</u> |
| Excess (deficiency) of revenue over expenses from operations | <u>193,196</u> | <u>(82,748)</u> |

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Changes in Net Assets

Year ended March 31, 2016 with comparative figures for 2015

| | Invested in Property and Equipment (Note 16) \$ | Externally Restricted B.C. Housing (Schedule 1) \$ | Internally Restricted (Note 17) \$ | Endowment Fund (Note 18) \$ | Unrestricted \$ | 2016 Total \$ | 2015 Total \$ |
|--|---|--|---|--------------------------------------|--------------------|---------------------|---------------------|
| Balance, beginning of year | 2,574,070 | 1,013,812 | 338,113 | - | (55,059) | 3,870,936 | 3,859,902 |
| Allocation of income: | | | | | | | |
| Excess (deficiency) of revenues over expenses | - | - | - | - | 193,196 | 193,196 | (82,748) |
| Transfers between funds: | | | | | | | |
| Amortization of property and equipment, net | (598,067) | - | - | - | 598,067 | - | - |
| Interest income and bank charges | - | 10,081 | 297 | - | (10,378) | - | - |
| Investment in property and equipment (Note 16) | (346,823) | - | 1,000,000 | - | (653,177) | - | - |
| Transfers to (from) replacement reserves: | | | | | | | |
| Amounts expended to replacement reserve | - | (47,805) | - | - | 9,089 | (38,716) | (91,060) |
| Replacement reserve provision (Note 4) | - | 148,921 | - | - | - | 148,921 | 148,916 |
| Direct increases (decreases) to net assets: | | | | | | | |
| Endowment funds received (Note 18) | - | - | - | 9,385 | - | 9,385 | 37,453 |
| Endowment funds transferred (Note 18) | - | - | - | (9,385) | - | (9,385) | (37,453) |
| Contributions related to land | 47,760 | - | - | - | - | 47,760 | 35,926 |
| | (897,130) | 111,197 | 1,000,297 | - | 136,797 | 351,161 | 11,034 |
| Balance, end of year | 1,676,940 | 1,125,009 | 1,338,410 | - | 81,738 | 4,222,097 | 3,870,936 |

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Cash Flows

| Year ended March 31, 2016 with comparative figures for 2015 | 2016 \$ | 2015 \$ |
|---|-------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Excess (deficiency) of revenue over expenses | 193,196 | (82,748) |
| Items not involving cash: | | |
| Amortization | 1,049,217 | 1,030,414 |
| Amortization of deferred contributions | (336,351) | (364,463) |
| Amortization of forgivable CMHC mortgage | (31,653) | (31,653) |
| Transfers to replacement reserves | 110,205 | 57,856 |
| Cash provided by (used in) changes in non-cash working capital items: | | |
| Accounts receivable | (213,087) | (123,244) |
| Prepaid expenses | 4,374 | 18,704 |
| Inventory | (31,343) | 4,927 |
| Accounts payable and accrued liabilities | 150,946 | 260,196 |
| Government remittances payable | (45,050) | 22,834 |
| Security deposits | (1,574) | (650) |
| Deferred contributions | 804,837 | 62,278 |
| | <u>1,653,717</u> | <u>854,451</u> |
| Cash flows from financing and investing activities: | | |
| Mortgage and construction financing | (696,179) | (684,706) |
| Proceeds from disposition of property | 1,430,590 | - |
| Construction and purchase of property and equipment, net | (271,916) | (284,041) |
| Deferred contributions related to property and equipment | (191,474) | 223,090 |
| | <u>271,021</u> | <u>(745,657)</u> |
| Net increase in cash | 1,924,738 | 108,794 |
| Cash, beginning of year | <u>4,552,596</u> | <u>4,443,802</u> |
| Cash, end of year | <u>6,477,334</u> | <u>4,552,596</u> |
| Represented by: | | |
| Cash and short-term investments | 5,155,405 | 3,288,882 |
| Cash – Replacement reserve – B.C. Housing | 1,163,655 | 1,104,806 |
| Cash – Replacement reserve – Shelters | 30,327 | 30,030 |
| Cash – Mike Gidora Vision Fund | 27,947 | 28,878 |
| Cash – Gaming Fund | 100,000 | 100,000 |
| | <u>6,477,334</u> | <u>4,552,596</u> |

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

1. Purpose

The Victoria Cool Aid Society (the "Society") was incorporated October 28, 1976 under the Society Act of British Columbia. The purpose of the Society is to end homelessness in Victoria by working in partnership with others to develop community solutions. The Society provides a continuum of care that includes supportive housing, the provision of emergency shelter and the delivery of holistic and integrated health care and support services. The Society serves individuals facing multiple barriers of poverty, mental illness and addiction. The Society actively participates in a variety of networks committed to improving services and influencing policy for an improved quality of life in the community.

The Society is a registered charity under the Income Tax Act and as such is not subject to taxation.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

a) Revenue Recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

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. Contributions to endowment funds held by a foundation of which the Society is a beneficiary are not recognized as revenue.

b) B.C. Housing Replacement Reserves

B.C. Housing replacement reserves are accounted for in accordance with the B.C. Housing Financial Responsibilities Guide. This requires that contributions from B.C. Housing for replacement reserves be recognized as revenue when they are received and then transferred to externally restricted replacement reserves. The replacement reserves are increased by interest earned on these funds and reduced by purchases of eligible items included in B.C. Housing's Standardized List of Replacement Reserve items.

c) Contributed Materials and Services

The Society receives contributions of both materials and services. However, due to the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

d) Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

2. Summary of Significant Accounting Policies (continued)

e) Joint Venture

The Society has an agreement with Vancouver Island AIDS Society to jointly operate the Access Health Centre at 713 Johnson Street, a building owned by both parties. The Society accounts for its two-third share of the assets, liabilities, revenues, and expenses relating to the project using the proportionate consolidation method.

f) Property and Equipment

Property and equipment are recorded at cost. Except for the housing developments under B.C. Housing's Homeless at Risk Housing Program, amortization is provided over the estimated useful life of the assets as follows:

| | |
|--------------------------------------|------------------------|
| Building improvements | 25 years straight-line |
| 713/715 Johnson St. Building | 25 years straight-line |
| Pandora Gymnasium | 25 years straight-line |
| Furniture and equipment | 5 years straight-line |
| Computer hardware/software, Vehicles | 5 years straight-line |

At the time of acquisition B.C. Housing required that amortization of the buildings on the following Homeless at Risk housing developments be equal to the principal reduction on the mortgage for the fiscal year: Swift & Store Street, Pandora, Johnson Manor, Fairway Woods, Hillside Terrace, Next Steps, Mike Gidora Place, and Cedar Grove. The Society continues to apply this amortization policy.

No amortization is taken in the year of acquisition.

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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results could differ from those estimates.

h) Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable, bank loan payable and long-term debt.

i) Employee Future Benefits

The Society and its employees contribute to the Municipal Pension Plan, a multi-employer plan for group benefits. Defined contribution plan accounting is applied to multi-employer defined benefit plans and accordingly, contributions to these plans are expensed.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

3. Cash and Short-term Investments

Cash and short-term investments include a deposit in the B.C. Non Profit Housing Association Pooled for Increased Earnings Program (PIE) of \$2,663,401 earning interest at prime less 1.65% (prime rate 2.7%). The PIE Program is invested with Vancity Savings Credit Union. The investment has no fixed term, no notice requirement or withdrawal penalty. Deposits are guaranteed by the Credit Union Deposit Insurance Corporation of B.C.

4. Cash – Replacement Reserves – B.C. Housing

Under the terms of the operating agreement with B.C. Housing, the Society is required to maintain a replacement reserve for major repair and furnishing replacements for the housing facilities referred to as Swift House, Pandora, Fairway Woods, Hillside Terrace, Johnson Manor, Mike Gidora Place, Olympic Vista, Transitional Housing-Rock Bay Landing. The replacement reserve accounts are to be credited in the amount determined by the annual budget plus interest earned. This is done by an annual transfer from operations. These funds along with the accumulated interest must be held in a separate bank account. The reserve funds may only be used for repairs and replacements in accordance with the operating agreement. The corresponding net assets are reflected in Externally Restricted Replacement Reserves – B.C. Housing.

During the year the B.C. Housing replacement reserves were fully funded and maintained in accordance with the operating agreements and all interest accruing to the funds has been recorded.

5. Cash – Replacement Reserves – Shelters

The Society maintains a replacement reserve for the purpose of providing extraordinary or major repairs and furnishing replacements for the shelter facilities. These funds earn interest and are maintained in a separate bank account.

6. Cash – Mike Gidora Vision Fund

The Society maintains a fund donated by the Cool Aid Foundation for the purpose of providing direct support to clients of the Society. These funds earn interest and are maintained in a separate bank account.

7. Cash - Gaming Fund

The Society maintains a fund received from Gaming and Enforcement Branch of the Provincial Government, and gaming fund contributions from other organizations for the purpose of assistance with the operating of the Downtown Community Activity Centre and the REES Program or as designated by the contributor. These funds earn interest and are maintained in a separate bank account.

8. Long-term Accounts Receivable

The Society has long-term accounts receivable consisting of \$19,728 (2015: \$19,728) held in trust by B.C. Housing. The Society also has long-term accounts receivable from Vancouver Island AIDS Society for amounts contributed by the Society to the Access Health Centre construction project of \$188,142 (2015: \$188,142). These amounts are repayable by Vancouver Island AIDS Society in the event of a sale of their interest in the building at 713 Johnson Street.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

9. Prepaid Leases

The Society leases the property on which the 753/755/757 Pandora building and gymnasium were constructed. The \$1,130,000 lease was prepaid by the Society and the lease expires on January 31, 2056.

The Society leases the property on which Johnson Manor was constructed. The \$575,000 lease was prepaid by the Society and the lease expires on September 14, 2061.

10. Property and Equipment

| | 2016 | | 2015 | |
|---|------------|--------------------------|------------|--------------------------|
| | \$ | | \$ | |
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | 2,725,525 | - | 3,831,418 | - |
| Buildings | | | | |
| 467 Swift & 1634 Store Street | 11,481,793 | 3,611,052 | 11,370,268 | 3,266,432 |
| 753/755/757 Pandora Avenue (Pandora) | 3,014,420 | 1,089,576 | 3,014,420 | 994,926 |
| 749 Pandora Avenue (Mike Gidora Place) | 2,968,437 | 1,264,485 | 2,968,437 | 1,189,806 |
| 1153 Johnson Street (Johnson Manor) | 1,901,300 | 297,080 | 1,901,300 | 270,349 |
| 597 Goldstream Avenue (Fairway Woods) | 3,554,757 | 545,815 | 3,554,757 | 462,687 |
| 713 Johnson Street (Access Health Centre) | 3,102,976 | 756,777 | 3,102,976 | 632,658 |
| 1460 Hillside Avenue (Hillside Terrace) | 6,947,436 | 1,034,566 | 6,947,436 | 889,443 |
| 2317 Dowler Place (Next Steps) | 393,263 | 143,779 | 393,263 | 124,703 |
| 210 Gorge Road East (Cedar Grove) | 243,072 | 243,072 | 243,072 | 243,072 |
| 3207-3223 Quadra Street (Cottage Grove) | - | - | 257,502 | - |
| Furniture, equipment and computers | 1,162,504 | 1,075,322 | 1,132,657 | 1,083,151 |
| Vehicles | 114,644 | 72,342 | 122,285 | 66,612 |
| | 37,610,127 | 10,133,866 | 38,839,791 | 9,223,839 |
| Less: Accumulated amortization | 10,133,866 | | 9,223,839 | |
| Net Book Value | 27,476,261 | | 29,615,952 | |

The land values include property at 749 Pandora Avenue, 713 Johnson Street, 2317 Dowler Place, and 210 Gorge Road East.

3207-3223 Quadra Street project transferred ownership to BC Housing in 2015. The Society was reimbursed by BC Housing for all development costs and purchase price of the land.

The Swift and Store Street building (467 Swift & 1634 Store Street) provides facilities for Swift House Apartments. The building is situated on property leased from the Provincial Rental Housing Corporation. The lease required a single payment of \$377,800 in 1991, which was included in the cost of the building. The lease expires in 2051.

Mike Gidora Place is situated on property that includes a portion donated by the City of Victoria in 1999 with a fair market value of \$393,000.

Fairway Woods, a supportive housing facility, is situated on property leased from the Island Health Authority for a dollar, with the use of land restricted to affordable housing.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

10. Property and Equipment (continued)

The 713 Johnson Street building represents the Society's share (in partnership with Vancouver Island AIDS Society) of the site for the Access Health Centre, which houses Cool Aid's Community Health Centre, Dental Clinic and Pharmacy. These financial statements reflect only the Society's proportionate interest in the costs incurred.

Hillside Terrace, a senior's supportive housing facility, is situated on property leased from the Island Health Authority for \$10, with the first floor leased back to Island Health Authority for \$10.

11. Deferred Contributions

Deferred contributions represent restricted contributions received in the current year that are related to a subsequent year. Changes in the deferred contributions balance are as follows:

| | General \$ | Gaming \$ | MGP* \$ | 2016 \$ | 2015 \$ |
|--|---------------|--------------|------------|-------------|-------------|
| Beginning balance | 1,581,001 | 100,037 | 28,880 | 1,709,918 | 1,647,639 |
| Less: Amounts recognized as revenue in the year | (1,250,169) | (100,037) | (1,266) | (1,351,472) | (1,241,940) |
| Amounts transferred from deferred capital contributions | 252,399 | - | - | 252,399 | (155,234) |
| Amount received related to the following years | 1,755,799 | 100,018 | 333 | 1,856,150 | 1,459,453 |
| Ending balance | 2,339,030 | 100,018 | 27,947 | 2,466,995 | 1,709,918 |

*Mike Gidora Vision Fund

12. Deferred Contributions Related to Land Lease

Deferred contributions relate to funding received in prior years for the lease on the Pandora property as described in Note 9. The contribution is being amortized to revenue over 25 years from the start of the lease (October 1997).

13. Deferred Contributions Related to Property and Equipment

Deferred contributions related to property and equipment represent contributions restricted to acquiring property and equipment. Deferred contributions are amortized on the same basis as the related property and equipment. The changes in the deferred contributions balance for the year are as follows:

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| Beginning balance | 7,043,742 | 7,196,653 |
| Add: Contributions related to property and equipment | 65,135 | 223,090 |
| Less: Amounts reclassified to deferred contributions | (252,399) | - |
| Less: Amounts amortized to revenue | (311,965) | (340,075) |
| Less: Amount recognized to net assets | (4,207) | (35,926) |
| Ending balance | 6,540,305 | 7,043,742 |

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

13. Deferred Contributions Related to Property and Equipment (continued)

The Society's share of total contributions received for the construction of the Access Health Centre of \$2,944,305 (2015: \$2,938,034) have been deferred as part of deferred contributions related to property and equipment for the year. These contributions include funding from the Island Health Authority, the Capital Regional Hospital District (CRHD), the Province of British Columbia, United Way of Greater Victoria, Victoria Foundation, City of Victoria, B.C. Housing, Civic Heritage Trust, Coast Capital Savings Credit Union, and contributions from members of the community.

14. Long-term Debt

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| PEOPLES TRUST mortgage on Pandora Avenue, 3.84%, repayable in blended monthly payments of \$13,495, due November 1, 2023, secured by a first charge in the leasehold interest, building and contents of the building at 753, 755, 757 Pandora Avenue and an assignment of rents. | 1,982,517 | 2,067,174 |
| B.C. HOUSING MANAGEMENT COMMISSION mortgage on Store Street, 3.15%, repayable in blended monthly payments of \$12,648, due June 1, 2021. | 1,301,802 | 1,410,873 |
| B.C. HOUSING MANAGEMENT COMMISSION mortgage on Swift Street, 3.15%, repayable in blended monthly payments of \$8,086, due June 1, 2021. | 832,299 | 902,033 |
| MCAP, mortgage on Mike Gidora Place, 2.439%, repayable in blended monthly payments of \$10,554, due September 1, 2025, secured by a first charge on the property and contents of the building at 749 Pandora Avenue and an assignment of rents. | 2,194,165 | 2,264,388 |
| FIRST NATIONAL FINANCIAL, mortgage on Fairway Woods, 3.53%, repayable in blended monthly payments of \$10,229, due August 1, 2023, secured by a first charge on the land at 547 Goldstream Avenue and an assignment of rents. | 1,903,944 | 1,958,923 |
| CANADA MORTGAGE AND HOUSING COMMISSION forgivable mortgage on Cedar Grove, 7.875%, forgivable at \$24,453 per annum to April 1, 2019 provided the Society fulfills the terms of the agreement. | 71,322 | 97,814 |
| CANADA MORTGAGE AND HOUSING COMMISSION forgivable mortgage on Dowler Place, 8.125%, forgivable at \$7,200 per annum to January 1, 2019 provided the Society fulfills the terms of the agreement. | 21,000 | 27,000 |
| Subtotal – carried forward | 8,307,049 | 8,728,205 |

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

14. Long-term Debt (continued)

| | 2016 \$ | 2015 \$ |
|---|-------------------|-------------------|
| Brought forward | 8,307,049 | 8,728,205 |
| MCAP mortgage on Gorge Road, 3.43%, repayable in monthly payments of \$3,763, maturing April 1, 2024, secured by a first charge on the property and contents of the building at 210 Gorge Road East. | 815,775 | 832,835 |
| TORONTO DOMINION BANK mortgage on Dowler Place, 2.649%, monthly payments of \$1,804, due September 1, 2017, secured by a first charge on the property and contents of the building at 2317 Dowler Place. | 412,605 | 423,233 |
| TORONTO DOMINION BANK mortgage on Hillside Terrace, 3.518%, repayable in blended monthly payments of \$23,749, due February 1, 2023, secured by a first charge in the leasehold interest, building and contents of the building at 1460 Hillside Avenue and an assignment of rents. | 4,736,518 | 4,853,822 |
| GREAT-WEST LIFE ASSURANCE COMPANY mortgage on Johnson Manor, 5.26%, repayable in blended monthly payments of \$11,967, due January 1, 2020, secured by a first charge in the leasehold interest, building and contents of the building at 1153 Johnson Street and an assignment of rents. | 1,824,156 | 1,871,500 |
| MCAP mortgage on Store/Swift Street, 2.15%, repayable in blended monthly payments of \$6,895, due March 1, 2025, secured by an interest in the appliances, mechanical equipment and fixtures. | 1,786,596 | 1,830,589 |
| ROYAL BANK OF CANADA mortgage on Store/Swift Street, 3.04%, repayable in blended monthly payments of \$9,436, due June 1, 2020, secured by an assignment of rents. | <u>2,291,884</u> | <u>2,335,165</u> |
| | 20,174,583 | 20,875,349 |
| Less: Current Portion | <u>723,195</u> | <u>2,894,459</u> |
| | <u>19,451,388</u> | <u>17,980,890</u> |

The B.C. Housing Management Commission mortgages place a charge on the Swift and Store Street building, furnishings and equipment, fire and B.C. Housing insurance and housing unit's rentals. The monthly mortgage payment is offset by a grant from B.C. Housing resulting in an effective annual interest rate of 2%.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

14. Long-term Debt (continued)

Principal repayments required on long-term debt for the next five years are as follows:

| <u>Year</u> | <u>Amount \$</u> |
|-------------|-------------------|
| 2017 | 723,195 |
| 2018 | 1,137,038 |
| 2019 | 756,583 |
| 2020 | 2,360,466 |
| 2021 | 2,771,271 |
| Thereafter | <u>12,426,030</u> |
| | <u>20,174,583</u> |

15. Financial Instruments and Risk Management

At March 31, 2016, the estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated their respective carrying values due to their short-term nature.

Short-term investments are recorded at market value based on quoted market prices at the statement of financial position date. Any unrealized gains and losses arising from the adjustment to market value are recognized in the statement of operations for the current period.

The carrying values of the bank loan payable and long-term debt approximate their fair values because interest charges under the terms of the loans are based on current Canadian bank lending rates.

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Society's risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Society to credit risk consist primarily of accounts receivable. Accounts receivable are not concentrated with any single party, and therefore the Society is not subject to any significant concentration of credit risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is not exposed to significant currency risks arising from its financial instruments.

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. Financial instruments that potentially subject the Society to interest rate risk consist primarily of long-term debt. The Society manages this risk by having a substantial amount of its long-term debt at fixed rates of interest.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Society's cash requirements. Additional cash requirements are met with bank borrowings under long-term credit arrangements. The Society is not exposed to significant liquidity risks.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

15. Financial Instruments and Risk Management (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to significant other price risk.

16. Net Assets Invested In Property and Equipment

The Society's investment in property and equipment is calculated as follows:

| | 2016 \$ | 2015 \$ |
|---|------------------|------------------|
| Property and equipment (<i>Note 10</i>) | 27,476,261 | 29,615,952 |
| Accounts receivable, B.C. Housing (<i>Note 8</i>) | 19,728 | 19,728 |
| Less amounts financed by: | | |
| Loan and mortgages payable | (19,322,295) | (20,017,868) |
| Direct increase in net assets related to land | 43,552 | - |
| Deferred capital contributions (<i>Note 13</i>) | (6,540,305) | (7,043,742) |
| | <u>1,676,940</u> | <u>2,574,070</u> |

17. Net Assets Internally Restricted

Internally restricted funds include a reserve for Health Services expansion and new initiatives; a Building and Equipment reserve to cover renovations and furniture replacements for programs that are not covered by other reserves; a Shelter Facilities reserve for providing major repairs and furnishing replacements; and a Housing Development fund to support the strategic goals of the Society to end homelessness through housing development initiatives.

Upon completion of the transfer of ownership of the Cottage Grove housing initiative to BC Housing, the Housing Development Fund was replenished with the funds initially utilized for the land purchase. This fund will be available to leverage the startup of additional projects outlined in Cool Aid's Housing Development Plan.

The balance of net assets internally restricted is comprised of the following:

| | Building & Equipment \$ | Health Services Fund \$ | Shelters Reserve \$ | Housing Development Fund \$ | 2016 \$ | 2015 \$ |
|--------------------------------|-------------------------------|----------------------------------|---------------------------|--------------------------------------|------------------|----------------|
| Beginning balance | 108,936 | 199,145 | 30,032 | - | 338,113 | 337,759 |
| Less: Amounts used in the year | - | - | - | - | - | - |
| Add: Contributions in the year | - | - | 297 | 1,000,000 | 1,000,297 | 354 |
| Ending Balance | <u>108,936</u> | <u>199,145</u> | <u>30,329</u> | <u>1,000,000</u> | <u>1,338,410</u> | <u>338,113</u> |

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

18. Endowment Funds

The Society established a Hosted Endowment Fund (Cool Aid Housing, Health, Shelter & Community Services Fund) with the Victoria Foundation in 2008. The funds are managed for the benefit of the Society and are held permanently. Gifts are made from time to time as determined by the Society or in accordance with the wishes of contributors. The Fund earns investment income in accordance with the Investment Policy of the Victoria Foundation. Distributions from the fund are determined by the Distribution Policy of the Victoria Foundation.

In 2015 the Society established a Hosted Endowment Fund with the Vancouver Foundation. Management and intention of this fund are the same as those of the Victoria Foundation Endowment Fund. The purpose of this fund is to enhance giving opportunities for those contributors outside of the Victoria area.

Contributions, investment income and grants paid are reported in the Cool Aid Housing, Health, Shelter & Community Fund by the Victoria Foundation and Vancouver Foundation.

Cool Aid Housing, Health, Shelter & Community Services Funds:

| | Victoria Foundation \$ | Vancouver Foundation \$ | 2016 \$ | 2015 \$ |
|------------------------|------------------------------|-------------------------------|------------|------------|
| Beginning balance | 139,463 | - | 139,463 | 102,815 |
| Contributions | 103,422 | 10,000 | 113,422 | 27,453 |
| Grants paid | (97,524) | - | (97,524) | (2,141) |
| Net investment returns | (2,286) | 177 | (2,109) | 11,336 |
| Ending Balance | 143,075 | 10,177 | 153,252 | 139,463 |

Fund values are reported at market value as at March 31.

19. Tenant Rent

The Society has on file, verification of the income and assets of tenants as required by the operating agreements with B.C. Housing. The tenant rent contributions, as approved by B.C. Housing, are being charged correctly to the rent-geared-to-income tenants.

20. Employee Future Benefits

The Society and its employees joined the Municipal Pension Plan (the "pension plan"), a joint trustees pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation as at December 31, 2012 indicated an unfunded liability. The actuary does not attribute portions of the unfunded liability to individual employers. The Society paid \$668,689 (2015 - \$679,009) for employer contributions to the plan in fiscal 2016. The employer contribution rate is 9.64% of pensionable earnings (2015 - 9.78%).

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2016 with comparative figures for 2015

21. Lease Commitments

The Society has operator agreements with B.C. Housing to deliver services at Queens Manor, Swift House, Rock Bay Landing, Desmond House and Olympic Vista.

22. B.C. Housing Accumulated Operating Surplus

Some operating agreements with B.C. Housing may require the Society to manage accumulated operating surpluses for projects or services. All accumulated operating surpluses are accounted for and spent as required in the operating agreement.

Victoria Cool Aid Society

Schedule 2

Schedule of Housing Fund Surplus Accounts

Year ended March 31, 2016 with comparative figures for 2015

| | Hillside Terrace \$ | Sandy Merriman House \$ | Next Steps \$ | Desmond House \$ | Rock Bay Landing (ESP) \$ | Rock Bay Landing (PHI) \$ | Total 2016 \$ | Total 2015 \$ |
|---|---------------------------|----------------------------------|------------------|------------------------|------------------------------------|------------------------------------|---------------------|---------------------|
| Financial review closing balance March 31, 2015 | (344,141) | 106,107 | (82,048) | (2,052) | 52,951 | - | (269,183) | (189,554) |
| Financial review adjustments prior years | - | - | - | - | - | - | - | 28,874 |
| Financial review adjustments 2015 | (26,340) | - | 949 | 2,052 | (14,282) | 2,372 | (35,249) | - |
| Revised accumulated surplus (deficit) 2015 | (370,481) | 106,107 | (81,099) | - | 38,669 | 2,372 | (304,432) | (160,680) |
| Accumulated surplus (deficit) beginning | (370,481) | 106,107 | (81,099) | - | 38,669 | 2,372 | (304,432) | (160,680) |
| Current year operating surplus (deficit) | (28,372) | (6,827) | 22,951 | - | 15,150 | (9,581) | (6,679) | (68) |
| Accumulated surplus spent: | | | | | | | | |
| Downtown Community Seasonal Shelter | - | - | - | - | (86,633) | - | (86,633) | (108,435) |
| Accumulated surplus (deficit), end of year | (398,853) | 99,280 | (58,148) | - | (32,814) | (7,209) | (397,744) | (269,183) |