

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Index to Financial Statements**  
**Year Ended March 31, 2015**

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# SUTHERLAND WATT

CHARTERED ACCOUNTANTS INC.

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Adsum Association for Women & Children

We have audited the accompanying financial statements of Adsum Association for Women & Children, which comprise the statement of financial position as at March 31, 2015 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from 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 audit opinion.

Independent Auditor's Report to the Members of Adsum Association for Women & Children *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Adsum Association for Women & Children as at March 31, 2015 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.

A handwritten signature in blue ink that reads "Sutherland Watt". The signature is written in a cursive style with a long horizontal stroke at the end.

Halifax, Nova Scotia  
June 23, 2015

Sutherland Watt Chartered Accountants Inc.

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2015**

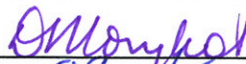
|   | 2015             | 2014               |
|---|------------------|--------------------|
| <b>Revenue</b>  |                  |                    |
| Per diems to authorities  | \$ 465,582       | \$ 501,413         |
| Government grants   | 433,305          | 424,767            |
| Donations   | 359,928          | 366,039            |
| Major gifts   | 289,606          | 5,000              |
| Rental operations   | 247,798          | 226,346            |
| Amortization of deferred contributions                              | 163,928          | 182,361            |
| Fundraising events  | 111,044          | 88,854             |
| Investment  | 95,412           | 26,270             |
| Other   | 789              | 19,573             |
|   | <u>2,167,392</u> | <u>1,840,623</u>   |
| <b>Expenses</b>   |                  |                    |
| Salaries and benefits   | 1,286,201        | 1,111,521          |
| Property expenses   | 301,349          | 228,066            |
| Amortization  | 156,948          | 127,517            |
| Promotion and fundraising   | 131,512          | 74,338             |
| Operations  | 112,656          | 205,328            |
| Administrative costs  | 86,607           | 73,467             |
| Other   | 35,456           | 22,666             |
| Mortgage interest   | 18,221           | 19,834             |
|   | <u>2,128,950</u> | <u>1,862,737</u>   |
| <b>Excess (deficiency) of revenue over expenses from operations</b> | <u>38,442</u>    | <u>(22,114)</u>    |
| Other income  |                  |                    |
| Unrealized gain (loss) on investments                               | 3,651            | 10,383             |
| Unrealized gain on foreign exchange                                 | 39,874           | -                  |
|   | <u>43,525</u>    | <u>10,383</u>      |
| <b>Excess (deficiency) of revenue over expenses for the year</b>    | <u>\$ 81,967</u> | <u>\$ (11,731)</u> |


See notes to financial statements

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Statement of Financial Position**  
**March 31, 2015**

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>ASSETS</b>                                |                     |                     |
| Current                                      |                     |                     |
| Cash (Note 3)                                | \$ -                | \$ 8,974            |
| Accounts receivable                          | 204,867             | 171,153             |
| Prepaid expenses                             | 22,209              | 14,949              |
|  | <u>227,076</u>      | 195,076             |
| Property, plant and equipment (Note 5)       | 4,023,469           | 4,175,860           |
| Long term investments - restricted           | 348,733             | 412,013             |
| Long term investments - unrestricted         | 347,124             | 107,806             |
|  | <u>\$ 4,946,402</u> | <u>\$ 4,890,755</u> |
| <b>LIABILITIES</b>                           |                     |                     |
| Current                                      |                     |                     |
| Bank indebtedness (Note 3)                   | \$ 117,471          | \$ -                |
| Accounts payable                             | 86,852              | 75,806              |
| Current portion of long term debt (Note 6)   | 17,902              | 11,985              |
| Unearned income                              | 9,665               | 8,560               |
| Tenants' damage deposits                     | 6,003               | 5,360               |
|  | <u>237,893</u>      | 101,711             |
| Long term debt (Note 6)                      | 298,545             | 318,758             |
| Deferred contributions - capital assets      | 3,379,363           | 3,523,291           |
| Deferred contributions - future expenditures | 117,442             | 52,639              |
|  | <u>4,033,243</u>    | 3,996,399           |
| Net assets                                   |                     |                     |
| Investment in property and equipment         | 327,661             | 321,827             |
| Investment in endowment fund                 | 348,849             | 412,013             |
| Unrestricted fund                            | 236,649             | 160,516             |
|  | <u>913,159</u>      | 894,356             |
|  | <u>\$ 4,946,402</u> | <u>\$ 4,890,755</u> |

ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

See notes to financial statements

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2015**

|   | Investment in<br>Property and<br>Equipment | Investment in<br>Endowment<br>Fund | Unrestricted<br>Fund | 2015       | 2014       |
|---|--|------------------------------------|----------------------|------------|------------|
| <b>Net assets -</b>   |  |                                    |                      |            |            |
| <b>beginning of year</b>                                    | \$ 321,827                                 | \$ 412,013                         | \$ 160,516           | \$ 894,356 | \$ 871,327 |
| Excess of revenue<br>over expenses                          | 2  | -                                  | 81,965               | 81,967     | (11,731)   |
| Building and<br>equipment<br>additions, net of<br>funding   | 18,852                                     | -                                  | (18,852)             | -          | -          |
| Depreciation for<br>the year                                | (156,948)                                  | -                                  | 156,948              | -          | -          |
| Deferred funding<br>for property,<br>plant and<br>equipment | 143,928                                    | -                                  | (143,928)            | -          | -          |
| Unrealized gain<br>(loss) in<br>investments                 | -  | (63,164)                           | -                    | (63,164)   | 34,759     |
| <b>Net assets - end of<br/>year</b>                         | \$ 327,661                                 | \$ 348,849                         | \$ 236,649           | \$ 913,159 | \$ 894,355 |

See notes to financial statements

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Statement of Cash Flows**  
**Year Ended March 31, 2015**

|   | 2015                | 2014               |
|---|---------------------|--------------------|
| <b>Operating activities</b>                             |                     |                    |
| Excess (deficiency) of revenue over expenses            | \$ 81,967           | \$ (11,731)        |
| Items not affecting cash:                               |                     |                    |
| Amortization of property, plant and equipment           | 156,948             | 127,517            |
| Amortization of deferred contributions                  | (163,928)           | (182,361)          |
| Unrealized gain on foreign exchange                     | (39,874)            | -                  |
| Unrealized gain on investments                          | (4,080)             | -                  |
|   | <u>31,033</u>       | <u>(66,575)</u>    |
| Changes in non-cash working capital:                    |                     |                    |
| Accounts receivable                                     | (33,714)            | (13,754)           |
| Accounts payable  | 11,158              | (11,114)           |
| Unearned income   | 1,105               | (2,403)            |
| Prepaid expenses  | (7,260)             | (3,354)            |
| Tenants' damage deposits                                | 643                 | (1,911)            |
|   | <u>(28,068)</u>     | <u>(32,536)</u>    |
| Cash flow from (used by) operating activities           | <u>2,965</u>        | <u>(99,111)</u>    |
| <b>Investing activities</b>                             |                     |                    |
| Purchase of property, plant and equipment               | (4,558)             | (1,370,544)        |
| Withdrawal from unrestricted investments                | -                   | 100,342            |
| Cash flow used by investing activities                  | <u>(4,558)</u>      | <u>(1,270,202)</u> |
| <b>Financing activities</b>                             |                     |                    |
| Repayment of long term debt                             | (14,295)            | (11,291)           |
| Increase in deferred contributions                      | (110,557)           | 1,317,027          |
| Cash flow from (used by) financing activities           | <u>(124,852)</u>    | <u>1,305,736</u>   |
| <b>Decrease in cash flow</b>                            | <b>(126,445)</b>    | <b>(63,577)</b>    |
| Cash and cash equivalents - beginning of year           | <u>8,974</u>        | <u>72,551</u>      |
| <b>Cash and cash equivalents - end of year (Note 3)</b> | <b>\$ (117,471)</b> | <b>\$ 8,974</b>    |

See notes to financial statements

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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1. Description of business

Adsum Association for Women & Children (the "Association") is a society incorporated under the provisions of the Societies Act of Nova Scotia and is a registered charity under the provisions of the Income Tax Act. The Association provides housing and other support services to women and children in an effort to reduce homelessness and promote independent living. The Association operates the following facilities with Halifax Regional Municipality:

Adsum House, an emergency shelter for women and children who are homeless.

Adsum Court, a supportive complex with affordable apartments.

Adsum Centre, a short term residential centre for women and children.

The Alders, a supportive complex with affordable apartments.

Three condos providing affordable supported family housing.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Measurement uncertainty

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

*(continues)*



**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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2. Summary of significant accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a straight-line basis at the following rates and methods:

|                        |              |
|------------------------|--------------|
| Buildings              | 20- 35 years |
| Equipment              | 5 years      |
| Computer equipment     | 3 years      |
| Leasehold improvements | 5 years      |
| Playground             | 10 years     |

The association regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

Adsum Association for Women & Children follows the deferral method of accounting for contributions.

Restricted contributions, other than endowments, 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 to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in endowment net assets.

Contributions of non-depreciable capital assets and contributions for purposes of acquiring such assets are recognized as direct increase in investment in capital assets in the period in which the capital assets are acquired.

All other revenue sources are recognized at the time that the service is rendered.

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Accounting estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

*(continues)*

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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2. Summary of significant accounting policies *(continued)*

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. Cash

|                                | <u>2015</u>         | <u>2014</u>     |
|--------------------------------|---------------------|-----------------|
| Savings account                | \$ 10,237           | \$ 10,112       |
| Operating bank accounts        | 41,289              | (7,033)         |
| Royal Bank - Security Deposits | 6,003               | 5,895           |
| Line of credit                 | <u>(175,000)</u>    | <u>-</u>        |
|                                | <u>\$ (117,471)</u> | <u>\$ 8,974</u> |

The organization now has a line of credit with a limit of \$200,000 and interest rate of 4.25%. The line of credit acts like an overdraft account and is strictly used as a cash flow management tool.

4. Accounts receivable

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| Due from provincial/municipal governments | \$ 172,300        | \$ 142,837        |
| Due from federal government               | 47,259            | 20,210            |
| Other                                     | <u>25,929</u>     | <u>13,269</u>     |
| Subtotal                                  | 245,488           | 176,316           |
| Less: Allowance for doubtful accounts     | <u>(40,621)</u>   | <u>(5,163)</u>    |
|   | <u>\$ 204,867</u> | <u>\$ 171,153</u> |

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

5. Property, plant and equipment

|                        | Cost                | Accumulated<br>amortization | 2015<br>Net book<br>value | 2014<br>Net book<br>value |
|------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| Land                   | \$ 495,428          | \$ -                        | \$ 495,428                | \$ 495,428                |
| Buildings              | 4,206,506           | 714,123                     | 3,492,383                 | 3,621,788                 |
| Equipment              | 236,722             | 205,622                     | 31,100                    | 45,294                    |
| Playground             | 26,076              | 26,076                      | -                         | 1,309                     |
| Computer equipment     | 67,360              | 62,802                      | 4,558                     | 2,866                     |
| Leasehold improvements | -                   | -                           | -                         | 9,175                     |
|                        | <u>\$ 5,032,092</u> | <u>\$ 1,008,623</u>         | <u>\$ 4,023,469</u>       | <u>\$ 4,175,860</u>       |

6. Long term debt

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| Royal Bank loan bearing interest at 3.82% per annum, repayable in monthly blended payments of \$1,253, subject to renewal in August, 2019. The loan matures on October 1, 2024 and is secured by a mortgage on land and building with a net book value of \$618,279. | \$ 85,582         | \$ 94,967         |
| Royal Bank loan bearing interest at 5.6% per annum, repayable in monthly blended payments of \$1,555. The loan is secured by a mortgage on land and building with a net book value of \$838,587.   | 230,865           | 235,776           |
|  | 316,447           | 330,743           |
| Amounts payable within one year  | (17,902)          | (11,985)          |
|  | <u>\$ 298,545</u> | <u>\$ 318,758</u> |

Principal repayment terms are approximately:

|            |                   |
|------------|-------------------|
| 2016       | \$ 17,902         |
| 2017       | 19,921            |
| 2018       | 20,918            |
| 2019       | 21,968            |
| 2020       | 22,973            |
| Thereafter | 212,765           |
|            | <u>\$ 316,447</u> |

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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7. Employee Future Benefits

The Association has an RRSP matching program for full time employees. The association will match an employee's contribution 3-5% of their annual salary. Total employer contributions for 2015 were \$14,782 (2014 \$11,519) and are recognized as an expense during the year.

8. Endowment Fund

The endowment fund is subject to externally imposed restrictions stipulating that the capital be maintained for a period of at least ten years and the investment income (including capital gains) be used towards operating expenses. During the year the Association received an endowment contribution of Nil (2014 - \$0) and earned \$95,412 (2014 - \$25,841) in investment revenue which has been reported as income in the unrestricted fund. These funds are recorded at cost with annual adjustments to reflect fair value and are comprised of Canadian and foreign equities with a cost of \$335,037.

9. Commitments/Contingencies

- a) In 2014, the Association entered into a Contribution Agreement with Her Majesty the Queen in Right of Canada (HMQR), in which HMQR contributed its 50% interest in the property located at 2421 Brunswick Street. The agreement is subject to a restrictive covenant whereby for a period of 15 years the Association would be required to pay HMQR a sum equivalent to 50% of the fair market value if they breach the covenants. The Association also entered into an agreement with the Halifax Regional Municipality (HRM) to acquire their 50% interest in the property located at 2421 Brunswick Street. The agreement is subject to the terms of a buy-back agreement in favour of HRM which gives HRM a right to repurchase the Property upon the occurrence of certain events or if the Association fails to operate the Property for shelter or affordable housing. The buy-back agreement expires at the end of a 15 year period, at which Adsum would own the property with no commitments to usage.
- b) The Association's ownership of Adsum Centre is subject to the terms of a buy-back agreement entered into with the Halifax Regional Municipality in conjunction with the property's acquisition in 2002.
- c) In 2012, the Association entered into funding agreements with the Government of Canada and the Province of Nova Scotia in each it designed and built a 10 unit housing complex that is affordable and supportive in the Halifax Regional Municipality. The Association has undertaken a commitment to both the Government of Canada and the Province of Nova Scotia to operate this facility for its intended use for a period of not less than 15 years. If the Association does not meet the terms and conditions of the funding agreement then certain amounts may be repayable to the Province of Nova Scotia.

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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10. Financial instruments

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of March 31, 2015.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The association is exposed to credit risk from customers. In order to reduce its credit risk, the association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The association has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The association is mainly exposed to interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The association is exposed to foreign currency exchange risk on investments held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its credit facilities.

*(continues)*

**ADSUM ASSOCIATION FOR WOMEN & CHILDREN**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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10. Financial instruments (*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 risk or 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 association is exposed to other price risk through its investment in quoted shares.

All secured financial liabilities have a combined carrying amount of \$316,448 (\$330,742 in 2014).

11. Contingent liability

The employees of the association are permitted to accumulate and carry forward up to 200 hours of sick time. As of March 31, 2015, the employees have accumulated 1,184 hours which amounts to \$23,143. This amount has not been recorded in the financial statements as a liability due to the uncertainty surrounding how much time will be used and because the accrued sick time cannot be paid out in lieu of time taken.