

ADSUM FOR WOMEN & CHILDREN
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Year Ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Adsum for Women & Children

We have audited the accompanying financial statements of Adsum for Women & Children, which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenditures, changes in net assets and cash flow 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Adsum for Women & Children derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Adsum for Women & Children. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2018, current assets and net assets as at March 31, 2018.

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

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Adsum for Women & Children as at March 31, 2018 and the results of its operations and its cash flow 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, flowing style.

Halifax, Nova Scotia
June 13, 2018

Sutherland Watt CPAs Inc.
Chartered Professional Accountants
Licensed Public Accountants

ADSUM FOR WOMEN & CHILDREN
Statement of Revenues and Expenditures
Year Ended March 31, 2018

	2018	2017
Revenues		
Donations	\$ 457,894	\$ 431,673
Amortization of deferred contributions	127,686	140,515
Investment	17,892	24,068
Fundraising events	129,581	111,057
Government grants	1,108,727	877,780
Rental operations	255,278	229,431
Per diems to authorities	5,015	228,901
Major gifts	211,489	179,482
	<u>2,313,562</u>	<u>2,222,907</u>
Expenses		
Administrative costs	60,457	56,110
Amortization	137,364	138,747
Bad debts	-	2,420
Mortgage interest	8,229	9,818
Operations	356,740	253,366
Promotion and fundraising	104,793	114,904
Property expenses	286,674	304,974
Salaries and benefits	1,359,043	1,390,986
	<u>2,313,300</u>	<u>2,271,325</u>
Excess (deficiency) of revenues over expenses from operations	<u>262</u>	<u>(48,418)</u>
Other income		
Loss on disposal of capital assets	(100)	(4,075)
Unrealized gain on investments	19,552	24,851
	<u>19,452</u>	<u>20,776</u>
Excess (deficiency) of revenues over expenses	<u>\$ 19,714</u>	<u>\$ (27,642)</u>

ADSUM FOR WOMEN & CHILDREN
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
Current		
Accounts receivable <i>(Note 4)</i>	\$ 51,798	\$ 37,781
Prepaid expenses	19,019	22,580
	<u>70,817</u>	60,361
Capital assets <i>(Note 5)</i>	3,611,011	3,752,801
Long term investments, at fair market value - unrestricted	431,534	272,551
Long term investments, at fair market value - restricted	371,597	365,777
	<u>\$ 4,484,959</u>	<u>\$ 4,451,490</u>
LIABILITIES		
Current		
Bank indebtedness <i>(Note 3)</i>	\$ 67,624	\$ 28,694
Accounts payable	129,394	108,271
Current portion of long term debt <i>(Note 6)</i>	22,029	21,977
Unearned income	11,364	10,463
Tenants' damage deposits	9,483	6,747
	<u>239,894</u>	176,152
Long term debt <i>(Note 6)</i>	234,145	255,511
Deferred contributions - capital assets <i>(Note 7)</i>	2,978,123	3,105,809
Deferred contributions - future expenditures <i>(Note 7)</i>	137,697	44,452
	<u>3,589,859</u>	3,581,924
Net assets		
Investment in capital asset fund	376,074	369,390
Investment in endowment fund <i>(Note 8)</i>	371,597	365,777
Unrestricted fund	147,429	134,399
	<u>895,100</u>	869,566
	<u>\$ 4,484,959</u>	<u>\$ 4,451,490</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

ADSUM FOR WOMEN & CHILDREN
Statement of Changes in Net Assets
Year Ended March 31, 2018

	Investment in Capital Asset Fund	Investment in Endowment Fund	Unrestricted Fund	2018	2017
Net assets - beginning of year	\$ 369,390	\$ 365,777	\$ 134,399	\$ 869,566	\$ 863,465
Excess of revenues over expenses	-	4,448	15,266	19,714	(27,642)
Unrealized gain (loss) on investments	-	5,820	-	5,820	33,743
Building and equipment additions (disposals), net of funding	(4,967)	-	4,967	-	-
Amortization for the year	(137,364)	-	137,364	-	-
Deferred funding for property, plant and equipment	127,686	-	(127,686)	-	-
Principle payments on debt relating to capital assets	21,329	-	(21,329)	-	-
Interfund transfer of investment income in Endowment Fund	-	(4,448)	4,448	-	-
Net assets - end of year	\$ 376,074	\$ 371,597	\$ 147,429	\$ 895,100	\$ 869,566

ADSUM FOR WOMEN & CHILDREN
Statement of Cash Flow
Year Ended March 31, 2018

	2018	2017
Operating activities		
Excess (deficiency) of revenues over expenses	\$ 19,714	\$ (27,642)
Items not affecting cash:		
Amortization of capital assets	137,364	138,747
Amortization of deferred contributions	(127,686)	(140,515)
Unrealized gain on investments	19,552	(24,851)
Loss on disposal of capital assets	100	4,075
	<u>49,044</u>	<u>(50,186)</u>
Changes in non-cash working capital:		
Accounts receivable	(14,017)	123,823
Accounts payable	21,123	12,762
Unearned income	901	(1,342)
Prepaid expenses	3,561	(2,302)
Tenants' damage deposits	2,736	1,314
	<u>14,304</u>	<u>134,255</u>
Cash flow from operating activities	<u>63,348</u>	<u>84,069</u>
Investing activities		
Purchase of capital assets	(2,632)	(141,896)
Proceeds on disposal of capital assets	7,500	147,350
Withdrawal from investment account	-	50,000
Investment income earned	(17,892)	(24,068)
	<u>(13,024)</u>	<u>31,386</u>
Cash flow from (used by) investing activities	<u>(13,024)</u>	<u>31,386</u>
Financing activities		
Repayment of long term debt	(21,314)	(20,323)
Increase (decrease) in deferred contributions	(67,940)	3,850
	<u>(89,254)</u>	<u>(16,473)</u>
Cash flow used by financing activities	<u>(89,254)</u>	<u>(16,473)</u>
Increase (decrease) in cash flow	(38,930)	98,982
Deficiency - beginning of year	<u>(28,694)</u>	<u>(127,676)</u>
Deficiency - end of year (Note 3)	\$ (67,624)	\$ (28,694)

See notes to financial statements

ADSUM FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2018

1. Description of business

Adsum Association for Women & Children (the "Association") is a charitable organization incorporated provincially under the Societies Act of Nova Scotia. As a registered charity the association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Association provides housing and other support services to women, families and transgender persons in an effort to end homelessness and support independent living. The Association operates the following facilities with Halifax Regional Municipality:

Adsum House, an emergency shelter for women, families and transgender persons who are homeless.

Adsum Court, a supportive complex with affordable apartments.

Adsum Centre, a short term residential centre for women, families and transgender persons.

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.

Bank indebtedness

Bank indebtedness consists of cash on hand, bank balances held with financial institutions, including a line of credit with a limit of \$200,000 and interest rate of 4.85%

ADSUM FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2018

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

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives 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
Vehicles	10 years

The Association regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income.

Revenue recognition

Adsum 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.

ADSUM FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2018

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

Fund accounting

The Unrestricted Fund accounts for the Association's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Investment in Capital Asset Fund is used to account for capital assets, including their acquisition, financing, amortization and disposal. Operating costs of the capital assets are accounted for in the Unrestricted Fund.

The Endowment Fund reports resources contributed for endowment. The Endowment fund was established with the goal of generating income to provide a long-term source of funding to assist with operations of the Association. Investment income earned on resources of the Endowment Fund is reported in the General Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

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.

Gifts in kind

Donated food and clothing are recorded at their fair market value at the time of the donation. During the year \$149,736 in goods were donated (2017 - \$146,812).

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.

ADSUM FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2018

3. Bank indebtedness

	<u>2018</u>	<u>2017</u>
Petty cash	\$ 900	\$ 900
Operating bank accounts	6,993	8,659
Bank account for security deposits	9,483	6,747
Line of credit advances	<u>(85,000)</u>	<u>(45,000)</u>
	\$ (67,624)	\$ (28,694)

The Association has a line of credit with a limit of \$200,000 and interest rate of 4.85%. The line of credit acts like an overdraft account and is strictly used as a cash flow management tool.

4. Accounts receivable

	<u>2018</u>	<u>2017</u>
Due from provincial/municipal governments	\$ 13,260	\$ 31,293
Due from federal government - HST rebate	16,877	8,298
Other	<u>22,550</u>	<u>1,784</u>
Subtotal	52,687	41,375
Less: Allowance for doubtful accounts	<u>(889)</u>	<u>(3,594)</u>
	\$ 51,798	\$ 37,781

5. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 495,428	\$ -	\$ 495,428	\$ 495,428
Buildings	4,175,677	1,079,080	3,096,597	3,224,095
Equipment	247,464	231,598	15,866	21,379
Vehicle	-	-	-	7,600
Computer equipment	73,502	70,382	3,120	4,299
Playground	26,076	26,076	-	-
	<u>\$ 5,018,147</u>	<u>\$ 1,407,136</u>	<u>\$ 3,611,011</u>	<u>\$ 3,752,801</u>

ADSUM FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2018

6. Long term debt

	<u>2018</u>	<u>2017</u>
Royal Bank demand loan bearing interest at 3.82% per annum, repayable in monthly blended payments of \$1,253. The loan matures on August 1, 2019 and is secured by a mortgage on land and building with a net book value of \$543,781.	\$ 48,109	\$ 61,050
Royal Bank loan bearing interest at 3.198% per annum, repayable in monthly blended payments of \$1,258. The loan matures on May 18, 2020 and is secured by a loan on land and building with a net book value of \$754,084.	<u>208,065</u>	<u>216,438</u>
	256,174	277,488
Amounts payable within one year	<u>(22,029)</u>	<u>(21,977)</u>
	\$ 234,145	\$ 255,511

Principal repayment terms are approximately:

2019	\$ 22,029
2020	22,726
2021	23,162
2022	16,286
2023	9,763
Thereafter	<u>162,208</u>
	\$ 256,174

ADSUM FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2018

7. Deferred contributions

	<u>2018</u>	<u>2017</u>
Diverting Families From Shelters	\$ 112,210	\$ -
Grants for rental supplements, used in 2017	-	6,720
Focusing on Priorities Program - funding for various priority staffing positions	-	21,676
North End Community Health Centre - Housing First Support	1,200	-
Home Depot Foundation Grant	6,865	-
Peer Works Support Program	6,518	2,971
Community Health Boards funding	3,400	8,500
District 8 funding	-	4,585
Warming Shelter fund	7,504	-
Subtotal	<u>137,697</u>	<u>44,452</u>
Various deferred grants for purchases of capital properties, to be recognized as buildings are amortized. There have been no contributions received for this purpose in 2018 or 2017, and the deferred revenue balance represents unrecognized money at year end.	<u>2,978,123</u>	<u>3,105,809</u>
	<u>\$ 3,115,820</u>	<u>\$ 3,150,261</u>

The balance in deferred contributions represents funding received for the purposes outlined above, that is unspent but committed for each project.

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 (2017 - Nil) and had an overall investment income of \$4,448 (2017 - \$13,760) which has been reported as income in the Endowment fund and then a transfer to the unrestricted fund. These funds are originally recorded at cost with annual adjustments to reflect fair value and are comprised of Canadian and Foreign equities with a cost of \$335,037.

ADSUM FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2018

9. Commitments/contingencies

1. In 2014, the Association entered into a Contribution Agreement with Her Majesty the Queen in Right of Canada (HMQ), in which HMQ 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 HMQ 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.
2. 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.

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, 2018.

(a) 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.

(b) 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.

ADSUM FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2018

10. Financial instruments *(continued)*

(c) 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.

(d) 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 floating interest rate bank indebtedness and credit facilities.

(e) 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 \$256,174 (2017 - \$277,488).

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

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, 2018, the employees have accumulated 1,469 hours which amounts to \$32,453. 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.

ADSUM FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2018

12. Investment income

Endowment Fund

Interest & dividend income	\$ 3,673	\$ 6,846
Gains on investments	<u>775</u>	<u>6,914</u>
	\$ 4,448	\$ 13,760

Unrestricted Fund

Interest & dividend income	\$ 7,938	\$ 5,128
Gains (losses) on investments	<u>1,675</u>	<u>5,180</u>
	\$ 9,613	\$ 10,308

13. Disclosure of compensation

The Public Sector Compensation Disclosure Act (the "Act") of the Province of Nova Scotia requires a public sector body to disclose to the public the amount of compensation it pays to any employee if that compensation is in excess of \$100,000 in a fiscal year. Compensation includes total base salary before taxes as well as overtime payments, retirement or severance payments, lump-sum payments and vacation payout, payments made for exceptional benefits not provided to the majority of the employees and the value of the benefit derived from vehicle or allowances with respect to vehicles.

Adsum Association for Women & Children is a public sector body as defined by Section 2(f) of the Public Sector Compensation Disclosure Act. No board members, officers, employees, contractors or consultants of the Association were paid compensation as defined in the Public Sector Compensation Disclosure Act, in the fiscal year 2017-2018 of \$100,000 or more.