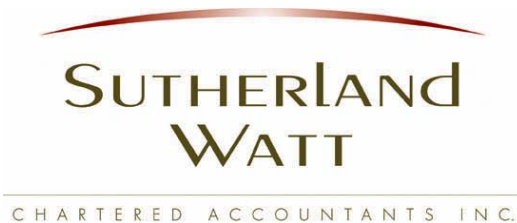


ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Index to Financial Statements
Year Ended March 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Adsum Association for Women & Children

We have audited the accompanying financial statements of Adsum Association for Women & Children, which comprise of the statement of financial position as at March 31, 2014 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.

(continues)

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, 2014 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 18, 2014

Sutherland Watt Chartered Accountants Inc.

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Revenues and Expenditures
Year Ended March 31, 2014

	2014	2013
Revenue		
Per diems to authorities	\$ 501,413	\$ 527,566
Government grants	424,767	484,143
Donations	370,412	378,236
Rental operations	226,346	218,026
Amortization of deferred contributions	182,361	135,884
Fundraising events	88,854	78,048
Investment	37,280	18,911
Other	19,573	111,513
	<u>1,851,006</u>	<u>1,952,327</u>
Expenses		
Employee services	897,211	944,443
Operations	419,638	371,010
Property expenses	228,066	277,037
Amortization	127,517	127,820
Promotion and fundraising	74,338	81,230
Administration	73,467	58,105
Other	22,666	112,410
Interest	19,834	20,502
	<u>1,862,737</u>	<u>1,992,557</u>
Deficiency of revenue over expenses for the year	\$ (11,731)	\$ (40,230)

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Financial Position
March 31, 2014

	2014	2013 <i>Revised (Note 8)</i>
ASSETS		
Current		
Cash (Note 3)	\$ 8,974	\$ 72,551
Accounts receivable	171,153	157,399
Prepaid expenses	14,949	10,770
	<u>195,076</u>	240,720
Property, plant and equipment (Note 5)	4,175,860	2,932,834
Long term investments - restricted	412,013	377,254
Long term investments - unrestricted	107,806	169,021
	<u>\$ 4,890,755</u>	<u>\$ 3,719,829</u>
LIABILITIES		
Current		
Accounts payable	\$ 75,694	\$ 86,097
Current portion of long term debt (Note 6)	11,985	10,247
Unearned income	8,560	10,963
Tenants' damage deposits	5,360	7,271
	<u>101,599</u>	114,578
Long term debt (Note 6)	318,871	331,900
Deferred contributions - capital assets	3,523,291	2,279,385
Deferred contributions - future expenditures	52,639	122,639
	<u>3,996,400</u>	2,848,502
Net assets		
Investment in property and equipment	321,827	311,301
Investment in endowment fund	412,013	377,254
Unrestricted fund	160,515	182,772
	<u>894,355</u>	871,327
	<u>\$ 4,890,755</u>	<u>\$ 3,719,829</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, 2014

	Investment in Property and Equipment	Investment in Endowment Fund	Unrestricted Fund	2014	2013 <i>Revised (Note 8)</i>
Net assets -					
beginning of year	\$ 311,301	\$ 377,254	\$ 182,772	\$ 871,327	\$ 880,527
Deficiency of revenue over expenses	-	-	(11,731)	(11,731)	(40,230)
Building and equipment additions, net of funding	17,108	-	(17,108)	-	-
Depreciation for the year	(127,517)	-	127,517	-	-
Deferred funding for property, plant and equipment	120,935	-	(120,935)	-	-
Unrealized gain (loss) in investments	-	34,759	-	34,759	31,030
Net assets - end of year	\$ 321,827	\$ 412,013	\$ 160,515	\$ 894,355	\$ 871,327

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Cash Flows
Year Ended March 31, 2014

	2014	2013
Operating activities		
Deficiency of revenue over expenses	\$ (11,731)	\$ (40,230)
Items not affecting cash:		
Amortization of property, plant and equipment	127,517	127,820
Amortization of deferred contributions	<u>(182,361)</u>	<u>(135,884)</u>
	<u>(66,575)</u>	<u>(48,294)</u>
Changes in non-cash working capital:		
Accounts receivable	(13,754)	(3,063)
Accounts payable	(10,289)	28,091
Unearned income	(2,403)	10,963
Prepaid expenses	(4,179)	2,674
Tenants' damage deposits	<u>(1,911)</u>	<u>1,015</u>
	<u>(32,536)</u>	<u>39,680</u>
Cash flow used by operating activities	<u>(99,111)</u>	<u>(8,614)</u>
Investing activities		
Purchase of property, plant and equipment	(1,370,544)	(1,727)
Withdrawal from unrestricted investments	<u>100,342</u>	<u>-</u>
Cash flow used by investing activities	<u>(1,270,202)</u>	<u>(1,727)</u>
Financing activities		
Repayment of long term debt	(11,291)	(10,764)
Increase in deferred contributions	<u>1,317,027</u>	<u>(1,661)</u>
Cash flow from (used by) financing activities	<u>1,305,736</u>	<u>(12,425)</u>
Decrease in cash flow	(63,577)	(22,766)
Cash and cash equivalents - beginning of year	<u>72,551</u>	<u>95,317</u>
Cash and cash equivalents - end of year (Note 3)	\$ 8,974	\$ 72,551

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2014

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 standard 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.

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated amortization. Contributed property, plant and equipment are recorded at their fair value at the date of contribution. Property, plant and equipment 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
Playground	10 years

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ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2014

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

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.

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.

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>2014</u>	<u>2013</u>
Savings account	\$ 10,112	\$ 29,485
Operating bank accounts	(7,033)	35,795
Royal Bank - Security Deposits	5,895	7,271
	<u>\$ 8,974</u>	<u>\$ 72,551</u>

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2014

4. Accounts receivable

	<u>2014</u>	<u>2013</u>
Due from provincial/municipal governments	\$ 142,837	\$ 108,417
Due from federal government	20,210	20,902
Other	13,269	28,080
Subtotal	<u>176,316</u>	157,399
Less: Allowance for doubtful accounts	<u>(5,163)</u>	-
	<u>\$ 171,153</u>	<u>\$ 157,399</u>

5. Property, plant and equipment

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 495,428	\$ -	\$ 495,428	\$ 495,428
Buildings	4,206,506	584,718	3,621,788	2,351,419
Equipment	236,722	191,428	45,294	43,820
Playground	26,076	24,767	1,309	3,916
Computer equipment	62,802	59,936	2,866	7,191
Leasehold improvements	9,175	-	9,175	31,060
	<u>\$ 5,036,709</u>	<u>\$ 860,849</u>	<u>\$ 4,175,860</u>	<u>\$ 2,932,834</u>

6. Long term debt

	<u>2014</u>	<u>2013</u>
Royal Bank loan bearing interest at 6.75% per annum, repayable in monthly blended payments of \$1,055, subject to renewal in August, 2014. The loan matures on October 1, 2024 and is secured by a mortgage on land and building with a net book value of \$220,306.	\$ 94,953	\$ 101,081
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 \$367,000.	<u>235,903</u>	241,066
	<u>330,856</u>	342,147
Amounts payable within one year	<u>(11,985)</u>	(10,247)
	<u>\$ 318,871</u>	<u>\$ 331,900</u>

(continues)

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2014

6. Long term debt (*continued*)

Principal repayment terms are approximately:

2015	\$	11,985
2016		12,720
2017		13,500
2018		14,187
2019		15,290
Thereafter		<u>263,174</u>
	\$	<u>330,856</u>

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 2014 were \$11,519 (2013 \$12,555) and are recognized as an expense during the year.

8. Prior Period Restatement

During the year, it was discovered that a donation received at the 2012 year end was incorrectly recorded as an investment in the Endowment Fund. \$120,000 of the donation has now been adjusted by way of prior period restatement to be reflected as a deferred contribution, and \$10,660 of the donation was recorded as income in 2012.

		<u>2012</u>
Increase in deferred liabilities	\$	120,000
Increase in donations		10,660
Decrease in investment in endowment fund		(130,660)
Decrease in Long term investments - restricted		(130,660)
Increase in Long term investments unrestricted		130,660

9. 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 be used towards operating expenses. During the year the Association received an endowment contribution of Nil (2013 - \$0) and earned \$25,841 (2013 - \$18,071) 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 cash and equivalents of \$4,117 and Canadian and foreign equities of \$515,170.

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2014

10. Commitments/Contingencies

- a) 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.
- 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.

11. 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, 2014.

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.

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ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2014

11. Financial instruments (*continued*)

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.

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.

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 \$330,856 (\$342,147 in 2013).

12. 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, 2014, the employees have accumulated 784 hours which amounts to \$10,595. 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.