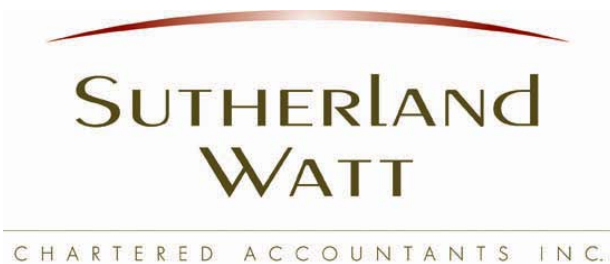


ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Index to Financial Statements
Year Ended March 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors 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, 2016 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 Association 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 Association for Women & Children. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, and donation revenue excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2016, current assets and net assets as at March 31, 2016.

(continues)

Independent Auditor's Report to the Directors of Adsum Association 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 Association for Women & Children as at March 31, 2016 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 style with a long horizontal stroke at the end.

Halifax, Nova Scotia
June 21, 2016

Sutherland Watt Chartered Accountants Inc.

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Revenues and Expenditures
For the Year Ended March 31, 2016

	2016	2015
Revenue		
Government grants	\$ 611,559	\$ 443,344
Per diems to authorities	437,260	465,582
Major gifts	366,080	289,606
Donations	420,204	349,890
Rental operations	235,680	247,798
Amortization of deferred contributions	132,357	163,928
Fundraising events	105,903	111,044
Other	-	787
Investment (Note 13)	(950)	95,412
	<u>2,308,093</u>	<u>2,167,391</u>
Expenses		
Administrative costs	80,565	86,607
Amortization	145,127	156,948
Bad debts (recovery)	(2,549)	35,458
Mortgage interest	15,740	18,221
Operations	176,305	112,656
Promotion and fundraising	95,949	131,511
Property expenses	457,324	301,349
Salaries and benefits	1,363,319	1,286,201
	<u>2,331,780</u>	<u>2,128,951</u>
Excess (deficiency) of revenue over expenses from operations	<u>(23,687)</u>	<u>38,440</u>
Other income (expenses)		
Unrealized gain (loss) on investments	(11,148)	3,651
Unrealized gain on foreign exchange	2,072	39,874
	<u>(9,076)</u>	<u>43,525</u>
Excess (deficiency) of revenue over expenses for the year	<u>\$ (32,763)</u>	<u>\$ 81,965</u>

See notes to financial statements

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
Current		
Accounts receivable (Note 4)	\$ 161,604	\$ 204,867
Prepaid expenses	<u>20,278</u>	<u>22,209</u>
	181,882	227,076
Capital assets (Note 5)	3,903,197	4,023,469
Long term investments - restricted (book value \$335,037)	332,034	348,733
Long term investments - unrestricted (book value \$274,525)	<u>272,580</u>	<u>347,124</u>
	\$ 4,689,693	\$ 4,946,402
LIABILITIES		
Current		
Bank indebtedness (Note 3)	\$ 127,676	\$ 117,471
Accounts payable	95,628	86,969
Current portion of long term debt (Note 6)	236,744	17,902
Unearned income	11,805	9,665
Tenants' damage deposits	<u>5,433</u>	<u>6,003</u>
	477,286	238,010
Long term debt (Note 6)	61,066	298,545
Deferred contributions - capital assets (Note 7)	3,247,006	3,379,363
Deferred contributions - future expenditures (Note 7)	<u>40,871</u>	<u>117,442</u>
	3,826,229	4,033,360
Net assets		
Investment in property and equipment	358,381	327,661
Investment in endowment fund (Note 9)	332,034	348,849
Unrestricted fund	<u>173,049</u>	<u>236,532</u>
	863,464	913,042
	\$ 4,689,693	\$ 4,946,402

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, 2016

	Investment in Property and Equipment	Investment in Endowment Fund	Unrestricted Fund	2016	2015
Net assets - beginning of year	\$ 327,661	\$ 348,849	\$ 236,532	\$ 913,042	\$ 894,356
Deficiency of revenue over expenses	-	-	(32,763)	(32,763)	81,965
Building and equipment additions, net of funding	24,840	-	(24,840)	-	-
Depreciation for the year	(145,127)	-	145,127	-	-
Deferred funding for property, plant and equipment	132,357	-	(132,357)	-	-
Principal payments on debt relating to Capital Assets	18,650	-	(18,650)	-	-
Unrealized gain (loss) in investment	-	(16,815)	-	(16,815)	(63,163)
Net assets - end of year	\$ 358,381	\$ 332,034	\$ 173,049	\$ 863,464	\$ 913,158

ADSUM ASSOCIATION FOR WOMEN & CHILDREN**Statement of Cash Flow****Year Ended March 31, 2016**

	2016	2015
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (32,763)	\$ 81,965
Items not affecting cash:		
Amortization of capital assets	145,127	156,948
Amortization of deferred contributions	(132,357)	(163,928)
Unrealized gain on foreign exchange	(2,072)	(39,874)
Unrealized gain on investments	11,148	3,651
	<u>(10,917)</u>	<u>38,762</u>
Changes in non-cash working capital:		
Accounts receivable	43,263	(33,714)
Accounts payable	7,459	11,159
Unearned income	2,140	1,105
Prepaid expenses	1,931	(7,260)
Tenants' damage deposits	570	643
	<u>55,363</u>	<u>(28,067)</u>
Cash flow from operating activities	<u>44,446</u>	<u>10,695</u>
Investing activities		
Purchase of capital assets	(24,855)	(4,558)
Withdrawal of funds from investment account	90,000	-
Contributions to investment account	(25,538)	(100,529)
Investment income earned	950	(95,412)
	<u>40,557</u>	<u>(200,499)</u>
Cash flow from (used by) investing activities	<u>40,557</u>	<u>(200,499)</u>
Financing activities		
Repayment of long term debt	(18,637)	(14,295)
Increase (decrease) in deferred contributions	(76,571)	77,654
	<u>(95,208)</u>	<u>63,359</u>
Cash flow from (used by) financing activities	<u>(95,208)</u>	<u>63,359</u>
Decrease in cash flow	(10,205)	(126,445)
Cash and cash equivalents - beginning of year	<u>(117,471)</u>	<u>8,974</u>
Cash and cash equivalents - end of year (Note 3)	\$ (127,676)	\$ (117,471)

See notes to financial statements

ADSUM ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

1. Description of business

Adsum Association for Women & Children (the "Association") is a not-for-profit 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 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.

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 4.25%

(continues)

ADSUM ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

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
Vehicle	10 years

The association regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets 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.

(continues)

ADSUM ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

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

Fund accounting

Adsum Association for Women & Children follows the restricted fund method of accounting for contributions. However, the restricted fund method is used for monies that are externally restricted in their use.

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

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to Adsum Association for Women & Children's capital assets and building expansion campaign.

The Endowment Fund reports resources contributed for endowment. 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.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year \$107,683 in goods were donated (2015 - \$80,810).

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 ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

3. Bank Indebtedness

	<u>2016</u>	<u>2015</u>
Savings account	\$ 10,330	\$ 10,237
Operating bank accounts	21,561	41,289
Bank account for Security deposits	5,433	6,003
Line of Credit Advances	<u>(165,000)</u>	<u>(175,000)</u>
	\$ (127,676)	\$ (117,471)

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>2016</u>	<u>2015</u>
Due from provincial/municipal governments	\$ 86,156	\$ 172,300
Due from federal government	64,581	47,259
Other	<u>14,461</u>	<u>25,929</u>
Subtotal	165,198	245,488
Less: Allowance for doubtful accounts	<u>(3,594)</u>	<u>(40,621)</u>
	\$ 161,604	\$ 204,867

5. Capital Assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 495,428	\$ -	\$ 495,428	\$ 495,428
Buildings	4,206,506	843,385	3,363,121	3,492,383
Equipment	244,023	217,873	26,150	31,100
Vehicle	10,604	884	9,720	-
Computer equipment	69,842	65,011	4,831	4,558
Playground	26,076	26,076	-	-
Leasehold improvements	3,947	-	3,947	-
	<u>\$ 5,056,426</u>	<u>\$ 1,153,229</u>	<u>\$ 3,903,197</u>	<u>\$ 4,023,469</u>

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2016

6. Long Term Debt

	<u>2016</u>	<u>2015</u>
Royal Bank 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 \$727,928.	\$ 73,510	\$ 85,582
Royal Bank loan bearing interest at 5.6% per annum, repayable in monthly blended payments of \$1,555. The loan matures on May 18, 2016 and is secured by a loan on land and building with a net book value of \$1,049,381. The balance of the loan has been included in the current portion of long term debt, due to the fact that the maturity date is within one year. Subsequent to the year end date, the loan has been renewed for a one year term maturing May 18, 2017, with an interest rate of 2.98% and blended payment of \$1,235.24 for a 240 month amortization.	224,300	230,865
	297,810	316,447
Amounts payable within one year	(236,744)	(17,902)
	\$ 61,066	\$ 298,545

Principal repayment terms are approximately:

2017	\$ 236,744
2018	12,928
2019	13,431
2020	13,850
2021	14,000
Thereafter	<u>6,857</u>
	\$ 297,810

ADSUM ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

7. Deferred Contributions

	<u>2016</u>	<u>2015</u>
Grants for rental supplements, used in 2016	\$ -	\$ 18,750
Focusing on Priorities Program - funding for various staffing priority staffing positions	18,942	29,693
The Dalhousie C3 Mentoring Program - Wilson's Sponsorship for 2016 summer student	9,000	-
Capacity Funding for general operations of 2015/2016 year	-	39,000
Backyard Funding	-	30,000
Affordable Housing Association for Nova Scotia - funding received for Adsum Housing staffing support	5,380	-
Community Health Boards Funding - Alders Drop In	3,650	-
Warming Shelter fund to support extreme weather operations and activities	3,899	-
Subtotal	40,871	117,443
Various deferred grants for purchases of capital properties, to be recognized as buildings are depreciated. The deferred revenue balance represents unrecognized money at year end.	3,247,006	3,379,362
	<u>\$ 3,287,877</u>	<u>\$ 3,496,805</u>

8. 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 2016 were \$33,363 (2015 \$14,782) and are recognized as an expense during the year.

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 (including capital gains) be used towards operating expenses. During the year the Association received an endowment contribution of Nil (2015 - \$0) and had an overall investment loss of \$950 (2015 - \$95,412) which has been reported as a loss 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.

ADSUM ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

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) 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, 2016.

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.

(continues)

ADSUM ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

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.

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.

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 \$297,810 (\$316,448 in 2015).

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, 2016, the employees have accumulated 1,378 hours which amounts to \$29,542. 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.

13. Investment income

	<u>2016</u>	<u>2015</u>
Interest income	\$ 15,862	\$ 14,195
Gains (losses) on investments	<u>(16,812)</u>	<u>81,217</u>
	<u>\$ (950)</u>	<u>\$ 95,412</u>

ADSUM ASSOCIATION FOR WOMEN & CHILDREN

Notes to Financial Statements

Year Ended March 31, 2016

14. Subsequent Events

Subsequent to the year end, the directors of Adsum have agreed to increase the pay of all employees of the Association to the living wages for Halifax based on The Canadian Centre for Policy Alternatives (in partnership with United Way). The living wage is a social wage - designed to bring people above poverty line to alleviate financial stress and constant crisis. The adoption of this policy will increase union employees wages by a minimum of 9% in future periods.