

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Index to Financial Statements
Year Ended March 31, 2013

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	3
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



SUTHERLAND WATT

CHARTERED ACCOUNTANTS INC.

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 the statement of financial position as at March 31, 2013 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.

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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, 2013 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Adsum Association for Women & Children adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Halifax, Nova Scotia
June 27, 2013


Sutherland Watt Chartered Accountants Inc.

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Revenues and Expenditures
Year Ended March 31, 2013

	2013	2012
Revenue		
Donations	\$ 378,236	\$ 383,357
Amortization of deferred contributions	135,884	111,197
Investment	18,911	9,846
Fundraising events	78,048	88,193
Government grants	484,143	413,606
Other	111,511	62,807
Rental operations	218,026	202,684
Per diems to authorities	527,566	541,663
	<u>1,952,325</u>	<u>1,813,353</u>
Expenses		
Administration	58,105	61,549
Amortization	127,820	122,150
Employee services	989,010	968,612
Interest	20,502	19,445
Operations	326,443	318,094
Other	112,412	57,658
Promotion and fundraising	81,230	68,769
Property expenses	277,035	210,795
	<u>1,992,557</u>	<u>1,827,072</u>
Deficiency of revenue over expenses for the year	\$ (40,232)	\$ (13,719)

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Financial Position
March 31, 2013

	March 31 2013	March 31 2012	April 1 2011
ASSETS			
Current			
Cash	\$ 72,551	\$ 95,317	\$ 201,093
Accounts receivable	157,399	154,336	170,232
Prepaid expenses	10,770	13,444	18,192
	<u>240,720</u>	263,097	389,517
Property, plant and equipment (Note 6)	2,932,834	3,058,926	2,896,669
Long term investments - restricted	507,914	476,884	251,239
Long term investments - unrestricted	38,361	37,806	29,122
	<u>\$ 3,719,829</u>	<u>\$ 3,836,713</u>	<u>\$ 3,566,547</u>
LIABILITIES			
Current			
Accounts payable	\$ 97,007	\$ 58,001	\$ 218,377
Current portion of long term debt (Note 7)	10,247	9,590	5,367
Tenants' damage deposits	7,271	6,256	4,077
	<u>114,525</u>	73,847	227,821
Long term debt (Note 7)	331,900	343,321	106,792
Deferred contributions - capital assets	2,279,385	2,390,583	1,529,698
Deferred contributions - future expenditures	2,639	28,380	913,580
	<u>2,728,449</u>	2,836,131	2,777,891
Net assets			
Investment in property and equipment	311,302	315,432	443,319
Investment in endowment fund	507,914	476,884	251,239
Unrestricted fund	172,164	208,266	94,098
	<u>991,380</u>	1,000,582	788,656
	<u>\$ 3,719,829</u>	<u>\$ 3,836,713</u>	<u>\$ 3,566,547</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, 2013

	Investment in Property and Equipment	Investment in Endowment Fund	Unrestricted Fund	2013	2012
Net assets -					
beginning of year	\$ 315,432	\$ 476,884	\$ 208,266	\$ 1,000,582	\$ 788,656
Deficiency of revenue over expenses	-	-	(40,232)	(40,232)	(13,719)
Building and equipment additions	12,490	-	(12,490)	-	-
Endowment fund contributions	-	-	-	-	230,660
Depreciation for the year	(127,820)	-	127,820	-	-
Unrealized gain (loss) in investments	-	31,030	-	31,030	(5,015)
Deferred funding for property, plant and equipment	111,200	-	(111,200)	-	-
Net assets - end of year	\$ 311,302	\$ 507,914	\$ 172,164	\$ 991,380	\$ 1,000,582

See notes to financial statements

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Statement of Cash Flows
Year Ended March 31, 2013

	2013	2012
Operating activities		
Deficiency of revenue over expenses	\$ (40,232)	\$ (13,719)
Items not affecting cash:		
Amortization of property, plant and equipment	127,820	122,150
Amortization of deferred contributions	(135,884)	(111,197)
	<u>(48,296)</u>	<u>(2,766)</u>
Changes in non-cash working capital:		
Accounts receivable	(3,063)	15,896
Accounts payable	39,056	(160,375)
Prepaid expenses	2,674	4,748
Tenants' damage deposits	1,015	2,179
	<u>39,682</u>	<u>(137,552)</u>
Cash flow used by operating activities	<u>(8,614)</u>	<u>(140,318)</u>
Investing activity		
Purchase of property, plant and equipment	<u>(1,727)</u>	<u>(284,839)</u>
Financing activities		
Proceeds from long term financing	-	250,000
Repayment of long term debt	(10,764)	(9,248)
Increase in deferred contributions	(1,661)	78,629
Cash flow from (used by) financing activities	<u>(12,425)</u>	<u>319,381</u>
Decrease in cash flow	(22,766)	(105,776)
Cash and cash equivalents - beginning of year	<u>95,317</u>	<u>201,093</u>
Cash and cash equivalents - end of year	\$ 72,551	\$ 95,317

See notes to financial statements

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2013

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.

2. First time adoption of accounting standards for not-for-profit organizations

Effective April 1, 2011, the Organization has elected to apply the Accounting Standards for Not-for-Profit Organizations, Part III of the Canadian Institute of Chartered Accountants (CICA) handbook, in accordance with Canadian generally accepted accounting principles.

These are the Organization's first financial statements prepared in accordance with these accounting standards for private enterprises, hereafter referred to as ASNPO's, which are in compliance with Canadian generally accepted accounting principles.

The financial statements for the year ended March 31, 2013 were prepared in accordance with the accounting principles and provisions set out in First-Time Adoption, Section 1501 of the CICA handbook, for first-time adopters of this basis of accounting. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the following significant accounting policy note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented for the year ended March 31, 2012 and in preparation of the an opening ASNOP balance sheet as at April 1, 2011 which is effectively the Company's transition date.

There is no impact on the opening net assets upon adopting these standards.

3. Summary of significant accounting policies

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.

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ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2013

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

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	35 years
Equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years
Playground	10 years

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 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, 2013

4. Cash

	<u>2013</u>	<u>2012</u>
Savings account	\$ 29,485	\$ 53,656
Operating bank accounts	35,795	35,405
Royal Bank - Security Dep.	7,271	6,256
	<u>\$ 72,551</u>	<u>\$ 95,317</u>

5. Accounts receivable

	<u>2013</u>	<u>2012</u>
Due from provincial/municipal governments	\$ 108,417	\$ 107,553
Due from federal government	20,902	11,713
Other	28,080	48,850
	<u>157,399</u>	<u>168,116</u>
Subtotal	157,399	168,116
Less: Allowance for doubtful accounts	-	(13,780)
	<u>\$ 157,399</u>	<u>\$ 154,336</u>

6. Property, plant and equipment

	Cost	Accumulated amortization	<u>2013 Net book value</u>	<u>2012 Net book value</u>
Land	\$ 495,428	\$ -	\$ 495,428	\$ 495,428
Buildings	2,852,441	501,022	2,351,419	2,431,578
Equipment	220,243	176,423	43,820	60,361
Playground	26,076	22,160	3,916	6,523
Computer equipment	62,802	55,611	7,191	12,092
Leasehold improvements	31,060	-	31,060	52,944
	<u>\$ 3,688,050</u>	<u>\$ 755,216</u>	<u>\$ 2,932,834</u>	<u>\$ 3,058,926</u>

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2013

7. Long term debt

	<u>2013</u>	<u>2012</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.	\$ 101,081	\$ 106,804
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.	241,066	246,107
	342,147	352,911
Amounts payable within one year	(10,247)	(9,590)
	\$ 331,900	\$ 343,321

Principal repayment terms are approximately:

2014	\$ 10,247
2015	10,950
2016	11,700
2017	12,503
2018	296,747
	<u>342,147</u>
	\$ 342,147

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 be used towards operating expenses. During the year the Association received an endowment contribution of Nil (2012 - \$230,660) and earned \$18,071 (2012 - \$8,684) in investment revenue which has been reported as income. These funds are recorded at cost with annual adjustments to reflect fair value and are comprised of cash and equivalents of \$32,344 and Canadian and foreign equities of \$475,570.

ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2013

9. Commitments/Contingencies

- a) The Association leases the Adsum House premises under a year to year lease with the Halifax Regional Municipality for a nominal annual rent of \$1/year. Due to the unique circumstances surrounding the lease, the Association writes off its leasehold improvements over a period greater than the term of the lease.
- 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.

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, 2013.

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.

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ADSUM ASSOCIATION FOR WOMEN & CHILDREN
Notes to Financial Statements
Year Ended March 31, 2013

10. Financial instruments (*continued*)

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 \$342,147 (\$352,911 in 2012).