

**LOOKOUT EMERGENCY AID SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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To the Directors of Lookout Emergency Aid Society:

We have audited the accompanying financial statements of Lookout Emergency Aid Society, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, 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 presentation 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, Lookout Emergency Aid Society derives a portion of its revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Lookout Emergency Aid Society and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenues over expenditures, assets, liabilities, and net assets.

Buildings are normally amortized over their useful life using a rational or systematic manner similar to the straight-line method. Note 3 describes the amortization policy with respect to certain buildings acquired under agreements with British Columbia Housing Management Commission. These agreements specify the use of the reduction in mortgage principal method. Under this method the initial costs of buildings are amortized proportionate to the amount of the reduction in the related mortgage principal. In this respect the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The estimated useful life of similar buildings is usually considered to be approximately 40 years. If amortization had been provided on the basis of an estimated useful life of 40 years, amortization for the current year would have decreased by \$65,318 (2014 - \$50,186), excess of revenues over expenses would have increased by \$65,318 (2014 - \$50,186), accumulated amortization would have increased by \$820,631 (2014 - \$885,950) and the closing balance of net assets would have been reduced by \$820,631 (2014 - \$885,950).



*Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lookout Emergency Aid Society 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. As required by the British Columbia Society Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the previous year.

**Vancouver, British Columbia**

June 18, 2015

  
**CHARTERED ACCOUNTANTS**

**LOOKOUT EMERGENCY AID SOCIETY**  
**Statement of Operations**  
**For the year ended March 31, 2015**

	2015	2014
		(Note 27)
<b>REVENUES</b>		
British Columbia Housing Management Commission	\$ 12,335,811	\$ 11,086,244
Vancouver Coastal Health Authority	4,096,782	4,235,872
Rental income	2,680,107	2,839,614
Amortization of deferred contributions (Note 19)	542,485	499,132
Donations (Note 20)	522,503	578,719
Fraser Health Authority	384,510	228,738
Other revenues (Note 21)	244,037	551,511
Client user fees	140,048	-
Tenant expense recoveries	107,656	121,730
Municipal grants	101,245	87,745
Service Canada	29,168	94,641
	<b>21,184,352</b>	<b>20,323,946</b>
<b>EXPENSES</b>		
Salaries and benefits	14,199,379	13,426,932
Amortization	1,378,670	1,269,701
Food	1,119,014	895,636
Renovations, repairs and maintenance	1,025,041	740,286
Interest on long-term debt (Mortgages)	830,293	852,952
Utilities	814,202	829,454
Program supplies	804,052	589,063
Office and general	544,528	491,921
Administration fee (Note 11)	403,070	-
Service contracts	246,018	260,574
Professional fees	205,738	210,951
Rent supplements	194,581	55,733
Telephone and internet	123,437	99,139
Insurance	90,417	84,230
Transportation and travel	72,111	68,078
Staff training	60,465	37,243
Property taxes	46,485	43,538
	<b>22,157,501</b>	<b>19,955,431</b>
<b>OPERATING EXCESS (DEFICIENCY) OF REVENUES</b>		
<b>OVER EXPENSES</b>	<b>(973,149)</b>	<b>368,515</b>
<b>NET ASSETS DONATED BY KEYS HOUSING AND</b>		
<b>HEALTH SOLUTIONS SOCIETY (Note 2)</b>	<b>77,577</b>	<b>-</b>
<b>SUBSIDY ADJUSTMENTS (Note 25)</b>	<b>(441,169)</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (1,336,741)</b>	<b>\$ 368,515</b>

The accompanying Notes are an integral part of these financial statements.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Statement of Changes in Net Assets**  
**For the year ended March 31, 2015**

	Restated Net Assets Beginning of Year <small>(Notes 23 and 27)</small>	Excess (Deficiency) of Revenues Over Expenses	Invested in Capital Assets and Transfers <small>(Note 18)</small>	Net Assets End of Year
<b>INVESTED IN</b>				
<b>CAPITAL ASSETS</b> <small>(Note 17)</small>	\$ 3,961,690	\$ (787,515)	\$ 2,078,180	\$ 5,252,355
<b>INTERNALLY RESTRICTED</b>				
REPLACEMENT RESERVE				
Powell Community Service Centre	78,396	2,138	12,000	92,534
Cliff Block Residence	22,915	577	-	23,492
Sakura So Residence	10,145	391	10,000	20,536
North Shore Residence	66,173	1,667	-	67,840
NORTH SHORE SHELTER	41,990	1,058	-	43,048
RENOVATION RESERVE				
Powell Community Service Centre	20,860	576	3,750	25,186
RESIDENTIAL HEALTH PROGRAM	21,051	-	-	21,051
TRAINING AND BENEFITS RESERVE	19,021	-	-	19,021
INFRASTRUCTURE REDEVELOPMENT				
RESERVE	275,000	-	-	275,000
ACCOMMODATION SUBSIDY RESERVE	45,347	833	-	46,180
GREATER VANCOUVER SHELTER				
STRATEGY	(11,599)	-	-	(11,599)
CAPITAL RESERVE				
Cliff Block Residence	785,000	-	-	785,000
Information Technologies	24,297	-	-	24,297
Rhoda Kaellis Residence	150,000	-	-	150,000
Facility Modernization and Improvement	29,335	-	-	29,335
	1,577,931	7,240	25,750	1,610,921
<b>UNRESTRICTED</b>				
Operating Net Assets	1,515,246	(556,466)	(2,103,930)	(1,145,150)
	\$ 7,054,867	\$ (1,336,741)	\$ -	\$ 5,718,126

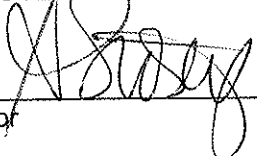
The accompanying Notes are an integral part of these financial statements.

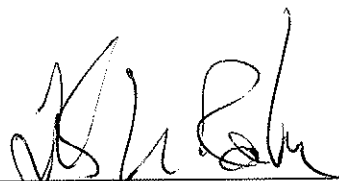
**LOOKOUT EMERGENCY AID SOCIETY**  
**Statement of Financial Position**  
**March 31, 2015**

	2015	2014
		(Notes 23 and 27)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 5,548,144	\$ 5,495,476
Investments (Note 5)	2,512,240	3,671,229
Accounts receivable	842,954	690,376
Goods and Sales Tax recoverable	92,321	51,932
Prepaid expenses and deposits	145,587	277,818
	9,141,246	10,186,831
<b>INVESTMENTS (Note 5)</b>	<b>910,964</b>	<b>1,260,325</b>
<b>DUE FROM B.C. HOUSING MANAGEMENT COMMISSION (Note 6)</b>	<b>317,827</b>	<b>317,827</b>
<b>CAPITAL ASSETS (Note 7)</b>	<b>34,901,003</b>	<b>32,076,193</b>
<b>CONSTRUCTION IN PROGRESS (Note 8)</b>	<b>543,744</b>	<b>1,355,519</b>
	<b>\$ 45,814,784</b>	<b>\$ 45,196,695</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 3,206,730	\$ 2,303,435
Security deposits	116,713	118,713
Deferred contributions (Note 10)	1,905,317	1,473,771
Due to Foundation (Note 11)	180,424	-
Current portion of mortgages payable (Note 13)	583,040	523,975
Current portion of forgivable loans payable (Note 14)	48,670	48,670
Current portion of long-term deferred contributions (Note 15)	664,199	624,488
	6,705,093	5,093,052
<b>REPLACEMENT AND RENOVATION RESERVES (Note 12)</b>	<b>3,185,462</b>	<b>3,265,965</b>
<b>MORTGAGES PAYABLE, net of current portion (Note 13)</b>	<b>16,220,896</b>	<b>16,373,287</b>
<b>FORGIVABLE LOANS PAYABLE, net of current portion (Note 14)</b>	<b>2,381,877</b>	<b>2,430,547</b>
<b>LONG-TERM DEFERRED CONTRIBUTIONS, net of current portion (Note 15)</b>	<b>11,603,330</b>	<b>10,978,977</b>
	<b>40,096,658</b>	<b>38,141,828</b>
<b>FUNDS HELD IN TRUST (Note 16)</b>		
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS (Note 17)</b>	<b>5,252,355</b>	<b>3,961,690</b>
<b>INTERNALLY RESTRICTED</b>	<b>1,610,921</b>	<b>1,577,931</b>
<b>UNRESTRICTED</b>		
Operating	(1,145,150)	1,515,246
	5,718,126	7,054,867
	<b>\$ 45,814,784</b>	<b>\$ 45,196,695</b>

Lease obligations (Note 22)  
Contingency liabilities (Note 24)  
Subsequent event (Note 26)

APPROVED ON BEHALF OF THE BOARD:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

The accompanying Notes are an integral part of these financial statements.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Statement of Cash Flows**  
**For the year ended March 31, 2015**

	2015	2014 (Note 27)
<b>OPERATING ACTIVITIES</b>		
Excess (Deficiency) of revenues over expenses	\$ (1,336,741)	\$ 368,515
Adjustments:		
Amortization of deferred contributions	(542,485)	(499,132)
Recognition of forgivable loan payable	(48,670)	(48,670)
Amortization	1,378,670	1,269,701
Net assets donated by Keys Housing and Health Solutions Society	(77,577)	-
Unrealized losses on investments measured at fair value	11,862	44,977
	(614,941)	1,135,391
Non-cash working capital items affecting operations:		
Accounts receivable	(132,602)	(385,289)
Goods and Sales Tax recoverable	(30,828)	17,423
Prepaid expenses and deposits	157,887	(149,516)
Accounts payable and accrued liabilities	751,980	114,344
Deferred contributions	225,069	(39,333)
Security deposits	(2,000)	(2,405)
Due to Foundation	99,543	-
	454,108	690,615
<b>FINANCING ACTIVITIES</b>		
Proceeds from mortgages payable	-	584,540
Repayment of mortgages payable	(544,792)	(1,101,130)
Replacement and renovation reserves	(80,503)	359,899
Increase in long-term deferred contributions	1,206,549	666,837
	581,254	510,146
<b>INVESTING ACTIVITIES</b>		
Proceeds from investments	1,791,322	2,033,792
Purchase of investments	(294,834)	(1,290,322)
Due from B.C. Housing Management Commission	-	(892)
Acquisition of capital assets	(2,106,751)	(119,646)
Increase in construction costs	(543,744)	(1,355,519)
Cash donated by Keys Housing and Health Solutions Society	171,313	-
	(982,694)	(732,587)
<b>INCREASE IN CASH</b>	<b>52,668</b>	<b>468,174</b>
<b>CASH, beginning of year</b>	<b>5,495,476</b>	<b>5,027,302</b>
<b>CASH, end of year</b>	<b>\$ 5,548,144</b>	<b>\$ 5,495,476</b>

The accompanying Notes are an integral part of these financial statements.

# LOOKOUT EMERGENCY AID SOCIETY

## Notes to Financial Statements

### March 31, 2015

#### 1. GENERAL

Lookout Emergency Aid Society (the "Society") was incorporated on July 19, 1974 under the laws of the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act. The Society is a "social safety net" that provides housing and a range of support services to adults with low or no income who have few, if any, housing or support options. Because they have challenges in meeting needs and goals, the Society places minimal barriers between them and the Society's services. The Society operates fifty-two programs located within twenty-five sites and includes eight hundred subsidized housing units.

#### 2. ACQUISITION OF KEYS HOUSING AND HEALTH SOLUTIONS SOCIETY

On November 30, 2014, the Society entered into an Acquisition Agreement (the "Agreement") with Keys Housing and Health Solutions Society (the "Keys"). The Agreement set the terms whereby Keys gifted all of its properties, assets, liabilities, and obligations to the Society, thus merging the operations of Keys into the operations of the Society. Subsequent to the acquisition Keys filed for voluntary dissolution with the corporate registrar.

The fair value of the amounts received by the Society are as follows:

Cash	\$	171,313
Current assets (other than cash)		55,193
Non-current assets		741,210
Current liabilities		<u>(890,139)</u>
Net assets	\$	<u>77,577</u>

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

##### Revenue Recognition

The Society's revenue recognition policies are as follows:

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increase in net assets.

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.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition (continued)**

Certain contributions received are required under the original agreements with British Columbia Housing Management Commission ("B.C. Housing") to be deferred and amortized on a pro-rata basis as determined by the reduction in the related mortgage principal. All other contributions received for the acquisition of buildings, replacement and renovation reserves, are deferred and amortized at the same rate as the amortization of the cost of the related building.

Investment income includes dividend and interest income recorded on the accrual basis, as well as realized investment gains and losses and unrealized gains and losses on financial instruments subsequently measured at fair value. Investment income is included in the statement of operations, deferred or reported directly in net assets depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

**Capital Assets and Amortization**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets, with the exception of buildings and improvements, and leased land, is calculated using the declining balance method at the following annual rates:

Furniture and fixtures	20%
Automotive	30%
Computer hardware	30%

Certain buildings are required under the original agreements with B.C. Housing to be amortized using the reduction in mortgage principal method. Under this method the initial costs of buildings are amortized proportionate to the amount of the reduction in the related mortgage principal. All other buildings and building improvements are amortized using either the straight-line method between 15 to 40 years or declining balance method at 4% per annum.

The leasehold improvements are amortized using the straight-line method over the remaining term of the lease agreement.

The leased land is amortized on a straight-line basis over the remaining term of the lease.

**Contributed Materials and Services**

Contributed materials are recorded, when received, at their fair value.

According to management, 4,676 (2014 - 5,231) volunteers contributed approximately 48,107 hours (2014 - 34,124 hours) to assist the Society in carrying out its services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**Pension Plan Cost**

The Society contributes to a municipal defined contribution benefit pension plan. Pension costs related to current service are charged to operations in the current period.

**Income Taxes**

Income taxes are not reflected in the financial statements as the Society is a not-for-profit organization.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the Society's management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

**Financial Instruments**

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

Investments are measured at fair value. All other financial assets and financial liabilities are measured at amortized cost.

*Impairment*

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in the statement of operations.

Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal is recognized in the statement of operations.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**4. FINANCIAL INSTRUMENTS**

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Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The financial instruments of the Society and the nature of the risks to which it may be subject are as follows:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to credit risk in its cash and investments as the majority of its cash and investments are held at two financial institutions. The Society limits its credit risk by purchasing high quality, liquid investments such as term deposits and by placing its cash and investments with major financial institutions. As at March 31, 2015, \$8,379,039 (2014 - \$10,080,688) of cash and investments are held at Vancity and RBC Dominion Securities Inc.

*Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The Society's exposure to liquidity risk is dependent on the receipt of funds from its related sources, whether in the form of revenue or advances. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; monitors and manages its cash and investment balance to ensure adequate cash flow is available to repay trade creditors as payments become due. As at March 31, 2015, the Society has working capital of \$2,436,153 (2014 - \$5,093,779).

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity prices, and exposure of long term investments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on the financial instruments.

The Society manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. The interest rates on the mortgages are fixed. Therefore, the Society is not exposed to significant interest rate risk.

(ii) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Society is not exposed to foreign currency exchange rate risk.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**5. INVESTMENTS**

	2015	2014
Term deposits maturing between September 12, 2015 and February 27, 2016, at rates varying from 1.55% to 3.30% (2014 - maturing between September 12, 2014 and February 27, 2016, at rates varying from 1.30% to 2.05%)	\$ 2,332,745	\$ 3,324,230
Government bonds maturing up to December 4, 2020, at rates varying from 4.39% to 6.16% (2014 - 3.48% to 6.16%)	1,083,451	1,600,316
Royal Bank of Canada shares	7,008	7,008
	3,423,204	4,931,554
Less: current portion	2,512,240	3,671,229
	\$ 910,964	\$ 1,260,325

During the year, the Society had unrealized losses of \$11,862 (2014 - \$44,977) on investments measured at fair value which is included in other revenues. The above investments include \$3,185,462 (2014 - \$3,265,965) which is subject to restrictions as described in Note 12.

**6. DUE FROM B.C. HOUSING MANAGEMENT COMMISSION**

	2015	2014
Cash held in trust by B.C. Housing relating to the Rhoda Kaellis Residence, is invested in interest bearing accounts.	\$ 317,827	\$ 317,827
	\$ 317,827	\$ 317,827

During the current year, the Society repaid interest of \$NIL (2014 - \$2,843) to B.C. Housing for the interest earned on the cash held in trust relating to the Cliff Block Residence for the years from 2007 to 2013.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**7. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2015 Net Book Value</b>	<b>2014 Net Book Value</b>
Buildings and improvements	\$ 42,183,921	\$ 12,967,826	\$ 29,216,095	\$ 26,830,714
Leased land	3,224,436	880,959	2,343,477	2,397,217
Land	3,141,357	-	3,141,357	2,723,557
Furniture and fixtures	745,680	674,217	71,463	68,900
Automotive	305,446	219,395	86,051	39,971
Computer hardware	210,895	168,335	42,560	15,834
	<b>\$ 49,811,735</b>	<b>\$ 14,910,732</b>	<b>\$ 34,901,003</b>	<b>\$ 32,076,193</b>

**8. CONSTRUCTION IN PROGRESS**

	<b>2015</b>	<b>2014</b>
Project development costs related to the Sakura So Residence construction project.	\$ 1,355,519	\$ 1,355,519
Transfer to capital assets - Sakura So Residence	(1,355,519)	-
Project development costs related to the Jeffery Ross Residence construction project.	506,209	-
Project development costs related to the Yukon Housing Centre construction project.	37,535	-
	<b>\$ 543,744</b>	<b>\$ 1,355,519</b>

At March 31, 2015 the construction costs are related to the Jeffery Ross Residence and Yukon Housing Centre, and will be reallocated to building and improvement in capital assets when the constructions are completed, and amortized under the Society's amortization policy when they are put into use.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2015</b>	<b>2014</b>
		(Note 27)
Accounts payable	\$ 1,696,339	\$ 1,127,877
Accrued liabilities	1,362,329	1,070,028
Government remittances payable	148,062	105,530
	<b>\$ 3,206,730</b>	<b>\$ 2,303,435</b>

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**10. DEFERRED CONTRIBUTIONS**

Deferred contributions represent rental income, grants and subsidies received in the current year that are related to expenses to be incurred in the subsequent years.

**11. DUE TO FOUNDATION**

The Lookout Foundation (the "Foundation") was incorporated under the laws of the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act. The Society has the sole right to appoint the Foundation's Board of Directors, and according to the Foundation's constitution and bylaws, the Foundation administers and distributes its resources for the benefit of the Society. The Foundation became a controlled entity of the Society effective Dec. 1, 2014. The Foundation has not been consolidated in the Society's financial statements. The financial summary of the Foundation as at March 31, 2015 and for the four month period then ended are as follows:

**Results of Operations**

<b>For the four month period ended March 31,</b>	<b>2015</b>
Total Revenues	\$ 409,847
Total Expenses	283,900
<b>Excess of revenues over expenses</b>	<b>\$ 125,947</b>

**Financial Position**

<b>March 31,</b>	<b>2015</b>
<b>Total assets</b>	<b>\$ 580,352</b>
Total liabilities	9,442
Fund balances	570,910
<b>Total liabilities and fund balances</b>	<b>\$ 580,352</b>

**Cash Flows**

<b>For the four month period ended March 31,</b>	<b>2015</b>
Cash from operations	\$ 125,947
Change in non-cash working capital items	(151,996)
<b>Net decrease in cash</b>	<b>\$ (26,049)</b>

During the four month period ended March 31, 2015 the Society paid administration fees of \$403,070 to the Foundation for administrative and financial services. These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As at March 31, 2015 the amount due to the Foundation was \$180,424. This amount is non-interest bearing and have no set repayment terms. Accordingly, this amount has been classified as current liabilities in these financial statements.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**12. REPLACEMENT AND RENOVATION RESERVES**

	Beginning Balance <small>(Notes 23 and 27)</small>	Interest	Annual Allocation	Expenditures	Ending Balance
<b>REPLACEMENT RESERVE</b>					
Jim Green	\$ 799,114	\$ 20,242	\$ 34,400	\$ (25,920)	\$ 827,836
Yukon Housing Centre	556,481	14,034	38,901	(37,535)	571,881
Al Mitchell Place	324,161	8,320	11,400	-	343,881
Cliff Block	314,461	7,853	-	(4,911)	317,403
Jeffrey Ross	311,175	7,150	14,240	(64,807)	267,758
First Place	183,346	5,880	92,880	-	282,106
Rhoda Kaellis	61,617	1,787	17,280	-	80,684
Ross Annex	32,500	954	10,000	-	43,454
<b>RENOVATION RESERVE</b>					
Al Mitchell Place	428,122	10,937	11,400	-	450,459
<b>REMEDIATION RESERVE</b>					
First Place	254,988	-	-	(254,988)	-
	<b>\$ 3,265,965</b>	<b>\$ 77,157</b>	<b>\$ 230,501</b>	<b>\$ (388,161)</b>	<b>\$ 3,185,462</b>

Under the terms of the agreements with B.C. Housing and Canada Mortgage and Housing Corporation ("CMHC"), the Replacement Reserve accounts are to be credited in the amount determined by the budget provision per annum plus interest earned. These funds along with the accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation; or in investments guaranteed by the Canadian Government. Also, under the B.C. Housing agreements, the funds may be invested in other investment instruments if agreed upon with B.C. Housing. See Note 5 for details of these investments.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**13. MORTGAGES PAYABLE**

	2015	2014
TD Canada Trust mortgage, bearing interest at 4.16% per annum, repayable in monthly payments of \$31,906 including principal and interest. The repayment terms are due for renewal on January 1, 2021. Secured by a fixed charge on real property and an assignment of rents. (Rhoda Kaellis Residence: 1105 Royal Avenue, New Westminster)	\$ 6,668,388	\$ 6,773,424
Royal Bank mortgage, bearing interest at 8.25% per annum, repayable in monthly payments of \$37,489 including principal and interest. The repayment terms are due for renewal on May 1, 2016. Secured by a fixed charge on real property. (Jim Green Residence: 415 Alexander Street)	4,045,819	4,161,340
TD Canada Trust mortgage, bearing interest at 4.67% per annum, repayable in monthly payments of \$17,297 including principal and interest. The repayment terms are due for renewal on May 1, 2017. Secured by a fixed charge on real property and an assignment of rents. (Yukon Housing Centre: 2088 Yukon Street)	2,874,061	2,946,773
Canada Mortgage and Housing Corporation mortgage, bearing interest at 2.61% per annum, repayable in monthly payments of \$14,378 including principal and interest. The repayment terms are due for renewal on December 1, 2023. Secured by a fixed charge on real property. (Jeffrey Ross Residence: 510 Alexander Street)	1,993,168	2,112,267
TD Canada Trust mortgage, bearing interest at 2.73% per annum, repayable in monthly payments of \$2,688 including principal and interest. The repayment terms are due for renewal on July 1, 2018. Secured by a fixed charge on real property. (Cliff Block Residence: 606 Clarkson Street, New Westminster)	556,783	573,545
Vancouver City Savings Credit Union mortgage, bearing interest at 3.25% per annum, repayable in monthly payments of \$2,469 including principle and interest. The repayment terms are due for renewal on December 2, 2019. Secured by a fixed charge on real property. (Surrey Residence: 11184 and 11186 143A Street, Surrey)	447,643	-
<b>Subtotal, carried forward</b>	<b>\$ 16,585,862</b>	<b>\$ 16,567,349</b>

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**13. MORTGAGES PAYABLE (continued)**

	2015	2014
Subtotal carried forward from previous page	\$ 16,585,862	\$ 16,567,349
Canada Mortgage and Housing Corporation mortgage, bearing interest at 4.37% per annum, repayable in monthly payments of \$10,328 including principal and interest. The repayment terms are due for renewal on January 1, 2017. Secured by a fixed charge on real property. (Downtown Housing Centre: 346 Alexander Street)	218,074	329,913
	<b>16,803,936</b>	16,897,262
Less: current portion	583,040	523,975
	<b>\$ 16,220,896</b>	<b>\$ 16,373,287</b>

Principal payments due in the next five years are as follows:

2016	\$ 583,040
2017	4,373,375
2018	3,000,070
2019	776,308
2020	647,234
	<u>\$ 9,380,027</u>

**14. FORGIVABLE LOANS PAYABLE**

	2015	2014
British Columbia Housing and Management Commission forgivable loan is non-interest bearing and will be earned over twenty-five years beginning on the first day of the eleventh year following the commencement date of January 1, 2009. If there is a default under the loan agreement, unearned principal plus interest of 2% per annum in excess of the prime rate computed from the date of default will be repayable. Secured by a fixed charge on real property. (Rhoda Kaellis Residence: 1105 Royal Avenue, New Westminster)	\$ 1,650,000	\$ 1,650,000
Subtotal, carried forward	<b>\$ 1,650,000</b>	<b>\$ 1,650,000</b>

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**14. FORGIVABLE LOANS PAYABLE (continued)**

	2015	2014
Subtotal carried forward from previous page	\$ 1,650,000	\$ 1,650,000
British Columbia Housing and Management Commission forgivable loan is non-interest bearing and will be earned over twenty-five years beginning on the first day of the eleventh year following the commencement date of April 1, 2005. If there is a default under the loan agreement, unearned principal plus interest of 2% per annum in excess of the prime rate computed from the date of default will be repayable. Secured by a fixed charge on real property. (North Shore Transitional Housing: 705 West 2nd Street, North Vancouver)	545,380	545,380
Canada Mortgage and Housing Corporation forgivable loan is non-interest bearing and will be earned over fifteen years at a rate of \$27,470 annually, beginning on December 1, 2005. If there is a default under the loan agreement, unearned principal computed from the date of default will be repayable. Terms expire on November 1, 2020. Secured by a fixed charge on real property. (North Shore Shelter: 705 West 2nd Street, North Vancouver)	155,667	183,137
Canada Mortgage and Housing Corporation forgivable loan bears interest at 8.125% per annum and will be earned over fifteen years at the rate of \$21,200 annually, beginning on January 1, 2004. If there is a default under the loan or the operating agreement, unearned principal plus interest computed from the date of default will be repayable. Terms expire on January 1, 2019. Secured by a fixed charge on real property. (Cliff Block Residence: 606 Clarkson Street, New Westminster)	79,500	100,700
	<b>2,430,547</b>	<b>2,479,217</b>
Less: amount to be recognized as revenue next year	<b>48,670</b>	<b>48,670</b>
	<b>\$ 2,381,877</b>	<b>\$ 2,430,547</b>

The amounts forgiven over the next five years are as follows.

2016	\$ 48,670
2017	70,485
2018	70,485
2019	65,185
2020	<u>65,785</u>
	<b>\$ <u>320,610</u></b>

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**15. LONG-TERM DEFERRED CONTRIBUTIONS**

	2015	2014 (Note 27)
Deferred contributions - Service Canada	\$ 6,391,149	\$ 6,199,682
Deferred contributions - B.C. Housing	4,319,831	3,739,750
Deferred contributions - other capital grants	1,556,549	1,664,033
	<b>12,267,529</b>	11,603,465
Less: amount to be recognized as revenue next year	664,199	624,488
	<b>\$ 11,603,330</b>	<b>\$ 10,978,977</b>

**16. FUNDS HELD IN TRUST**

The Society maintains trust funds on behalf of clientele. As at March 31, 2015, the funds held in trust totaled \$66,006 (2014 - \$64,325).

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**17. INVESTED IN CAPITAL ASSETS**

	2015	2014
Capital assets, net beginning of year	\$ 32,076,193	\$ 33,226,248
Acquisition of capital assets	2,106,751	119,646
Increase in construction costs	543,744	1,355,519
Project development costs transferred to capital assets	1,355,519	-
Donated by Keys Housing and Health Solutions Society	741,210	-
Amortization	<u>(1,378,670)</u>	<u>(1,269,701)</u>
	<b>35,444,747</b>	<b>33,431,712</b>
Less amounts financed by:		
Mortgages payable	<u>(16,803,936)</u>	<u>(16,897,262)</u>
Deferred contributions	<u>(11,885,992)</u>	<u>(11,311,370)</u>
Forgivable loans	<u>(2,430,547)</u>	<u>(2,479,217)</u>
Contributed land	900,000	900,000
Due from BC Housing	317,827	317,827
Contributed capital assets	<u>(289,744)</u>	<u>-</u>
	<b>\$ 5,252,355</b>	<b>\$ 3,961,690</b>

The deficiency of revenues over expenses for invested in capital assets is as follows:

Amortization of deferred contributions	\$ 542,485
Recognition of forgivable loans	48,670
Amortization	<u>(1,378,670)</u>
	<b>\$ <u>(787,515)</u></b>

**18. INVESTED IN CAPITAL ASSETS AND INTERFUND TRANSFERS**

In the current year, the Society transferred \$2,078,180 (2014 - \$1,598,501) from the unrestricted operating net assets to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions and construction in progress.

The Society transferred \$25,750 (2014 - \$(747,215)) from (to) the Unrestricted Operating Net Asset to (from) the Internally Restricted Net Assets as follows:

- (a) Replacement Reserve - Powell Community Service Centre \$12,000 (2014 - \$12,000).
- (b) Replacement Reserve - Sakura So Residence \$10,000 (2014 - \$(229,085)).
- (c) North Shore Housing Centre - \$NIL (2014 - \$(215,000)).
- (d) Renovation Reserve - Powell Community Service Centre \$3,750 (2014 - \$3,750).
- (e) Training and Benefits Reserve \$NIL (2014 - \$31,120).
- (f) Capital Reserve - Sakura So Residence \$NIL (2014 - \$(350,000)).

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**19. AMORTIZATION OF DEFERRED CONTRIBUTIONS**

	2015	2014 (Note 27)
Service Canada (Human Resources and Skills Development Canada) - capital grants	\$ 308,534	\$ 281,319
B.C. Housing - repayable subsidies and grants	167,924	158,851
Other capital grants	66,027	58,962
	<b>\$ 542,485</b>	<b>\$ 499,132</b>

**20. DONATIONS**

	2015	2014
Cash donations	\$ 209,277	\$ 214,158
Donations-in-kind	313,226	364,561
	<b>\$ 522,503</b>	<b>\$ 578,719</b>

**21. OTHER REVENUES**

	2015	2014 (Note 27)
Interest	\$ 102,367	\$ 112,384
Miscellaneous	93,000	390,457
Recognition of forgivable loans	48,670	48,670
	<b>\$ 244,037</b>	<b>\$ 551,511</b>

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**22. LEASE OBLIGATIONS**

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The Society is committed to property and premises leases expiring on October 31, 2018 and February 28, 2020. Under the leases, the Society is required to pay an aggregate base rent of \$1,133,000. In addition, the Society is required to pay property taxes, repairs and maintenance and other costs related to the properties.

Commitments for base rent in each of the subsequent years are as follows:

2016	\$ 276,000
2017	276,000
2018	276,000
2019	206,000
2020	<u>99,000</u>
	<u>\$ 1,133,000</u>

**23. PRIOR PERIOD ADJUSTMENTS**

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(a) During the year, it was determined that the Ross Annex replacement reserve subject to external restrictions was presented as internally restricted net asset in the prior year. The amount should have been reported as liabilities. The net effect of the adjustment as at March 31, 2014 is as follows:

Replacement and renovation reserves increased by	32,500
Internally restricted net assets decreased by	(42,530)
Unrestricted operating net assets increased by	10,030

(b) During the year, it was determined that certain replacement and renovation reserves were overstated by \$36,728 at March 31, 2014. The net effect of the adjustment as at March 31, 2014 is as follows:

Replacement and renovation reserves decreased by	(26,698)
Unrestricted operating net assets increased by	26,698

The net effect of the adjustments as at March 31, 2014 is summarized as follows:

Replacement and renovation reserves increased by	5,802
Internally restricted net assets decreased by	(42,530)
Unrestricted operating net assets increased by	36,728

The comparative figures have been restated to reflect these changes.

**LOOKOUT EMERGENCY AID SOCIETY**  
**Notes to Financial Statements**  
**March 31, 2015**

**24. CONTINGENT LIABILITIES**

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In 2003, the Society entered into two agreements with B.C. Housing dated May 10, 2002. Under the agreements, B.C. Housing provided for the funding to the Society to enable the Society to complete building envelope repairs to the Jeffrey Ross Residence and the Jim Green Residence. The funding was comprised partially of repayable subsidies and loans. At the option of B.C. Housing, the repayable subsidy portion of the funding may be repaid to B.C. Housing from the proceeds of litigation, if any. The loan portion of the funding is secured by a mortgage, which will rank behind existing mortgage financing, over the buildings.

**25. SUBSIDY ADJUSTMENTS**

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B.C. Housing conducts an annual review of the financial statements and may adjust for any operating surplus or deficit. The Society estimates the potential subsidy adjustment each year to their best knowledge at the time. Any difference between B.C. Housing's review and the Society's estimate is recognized in the year the difference is determined. During the current year, funding adjustments of \$441,169 (2014 - \$NIL) were recognized for fiscal years 2013 and 2014's operating net surpluses.

**26. SUBSEQUENT EVENT**

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Subsequent to the year end the Board of Directors resolved to transfer to the Foundation \$1,610,921 of internally restricted net assets with the understanding that these funds must be used in accordance with the existing restrictions and no change in those restrictions can be made. The transfer of this amount is to be made within the fiscal year ending March 31, 2016 in a manner that best protects the funds while minimizing costs.

**27. COMPARATIVE FIGURES**

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Comparative figures for 2014 have been reclassified where applicable to conform to the current year presentation.