

JUNIPER HOUSING CORPORATION

FINANCIAL STATEMENTS

December 31, 2015



**Cheryl Woloschuk,
Chartered Professional Accountant,
Prof. Corp.**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Juniper Housing Corporation

I have audited the accompanying financial statements of Juniper Housing Corporation, which comprise the statements of financial position as at December 31, 2015, and the statements of operations, changes in net assets, and cash flows for the year ended December 31, 2015, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations Juniper Housing Corporation derives revenue in part, from donations, and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Juniper Housing Corporation and I was not able to determine whether any adjustments might be necessary to donation revenues, fundraising revenues, excess of income over expenses, assets and fund balances.

Qualified Opinion

In my 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 Juniper Housing Corporation as at December 31, 2015, and its financial performance and its cash flows for the year ended December 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

Cheryl Woloschuk, CPA, Prof. Corp.

Saskatoon, SK
June 25, 2016

Cheryl Woloschuk, Chartered Professional Accountant, Prof. Corp.
Chartered Professional Accountant

JUNIPER HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS		2015	2014
CURRENT			
Cash		\$ 25,951	\$ 64,517
Accounts receivable		1,626	1,417
Prepaid expenses		1,603	2,319
GST recoverable		1,666	1,665
Payroll liabilities		<u>0</u>	<u>748</u>
		30,846	70,666
TANGIBLE CAPITAL ASSETS (Notes 2 and 3)		<u>4,501,097</u>	<u>4,591,817</u>
		<u>\$ 4,531,943</u>	<u>\$ 4,662,483</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 8,817	\$ 11,730
Payroll liabilities		2,273	0
Scheduled repayments of callable debt (Note 6)		29,650	30,775
Rental and damage deposits		23,388	27,664
Prepaid rent		<u>750</u>	<u>6,740</u>
Current liabilities before callable debt		64,878	76,909
Callable debt (Note 6)		<u>632,369</u>	<u>721,548</u>
		697,247	798,457
DEFERRED CONTRIBUTIONS (Note 7)		412,091	429,262
DEFERRED FORGIVABLE HRDP LOAN		<u>1,772,723</u>	<u>1,987,727</u>
		<u>2,882,061</u>	<u>3,215,446</u>
NET ASSETS			
Net assets invested in capital assets		1,373,928	1,142,172
Unrestricted net assets		<u>275,954</u>	<u>304,865</u>
		<u>1,649,882</u>	<u>1,447,037</u>
		<u>\$ 4,531,943</u>	<u>\$ 4,662,483</u>

Approved by the Directors:

Garry Male, Director

Wong Chi Wah, Director

See accompanying Notes to Financial Statements

JUNIPER HOUSING CORPORATION
STATEMENT OF OPERATIONS
For the year ended December 31, 2015

REVENUE	<u>2015</u>	<u>2014</u>
City of Saskatoon funding	\$ 5,500	\$ 3,344
Donations	4,575	5,795
Interest	21	20
Net income on 414 Avenue F South (Schedule 1)	7,925	4,400
Rental income from main building	<u>268,191</u>	<u>271,404</u>
	<u>286,212</u>	<u>284,963</u>
 EXPENSES		
Advertising and promotion	251	246
Amortization of tangible assets	94,907	97,582
Bank charges	201	51
Business taxes and licences	0	246
Insurance	9,520	9,210
Interest on long-term debt	28,356	34,041
Meetings	4,880	3,958
Office and general	1,905	2,368
Professional fees	8,627	8,553
Property taxes	16,060	1,187
Repairs and maintenance	22,144	20,731
Resident programs	1,000	1,000
Travel	11	371
Utilities	53,738	53,779
Wages and benefits	<u>73,941</u>	<u>69,191</u>
	<u>315,541</u>	<u>302,514</u>
NET LOSS FROM OPERATIONS	<u>(29,329)</u>	<u>(17,551)</u>
 OTHER		
Forgiveness of HRDP loan	215,004	215,004
Recognition of deferred contributions (Notes 2 and 7)	<u>17,170</u>	<u>17,886</u>
	<u>232,174</u>	<u>232,890</u>
 EXCESS OF REVENUE OVER EXPENSES	 <u>\$ 202,845</u>	 <u>\$ 215,339</u>

See accompanying Notes to Financial Statements

JUNIPER HOUSING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2015

NET ASSETS	Invested in capital assets	Unrestricted	Total 2015	Total 2014
Balance, beginning of year	\$ 1,142,172	\$ 304,865	\$ 1,447,037	\$ 1,231,698
Amortization	(94,907)	297,752	202,845	215,339
Investment in capital assets	4,185	(4,185)	0	0
Repayment of long term debt	90,304	(90,304)	0	0
Change in HRDP loan	215,004	(215,004)	0	0
Amortization of deferred contributions	<u>17,170</u>	<u>(17,170)</u>	<u>0</u>	<u>0</u>
Balance, end of year	<u>\$ 1,373,928</u>	<u>\$ 275,954</u>	<u>\$ 1,649,882</u>	<u>\$ 1,447,037</u>

See accompanying Notes to Financial Statements

Cheryl Woloschuk, Chartered Professional Accountant, Prof. Corp.

JUNIPER HOUSING CORPORATION
CASH FLOW STATEMENT
For the year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 202,845	\$ 215,339
Add (deduct):		
Charges to income not involving cash:		
Amortization	<u>94,907</u>	<u>97,582</u>
	297,752	312,921
Net change in non-cash working capital balances related to operations:		
Trade receivables	(209)	(1,417)
Prepaid expenses	716	(1,240)
Accounts payable and accrued liabilities	(2,916)	1,329
Payroll liabilities	3,021	(833)
GST payable	(1)	(49)
Rental and damage deposits	(4,276)	1,838
Prepaid rent	<u>(5,990)</u>	<u>3,680</u>
	<u>288,097</u>	<u>316,229</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(90,304)	(28,652)
Repayment of capital lease obligations (Note 3)	(215,004)	(215,004)
Change in deferred contributions	<u>(17,170)</u>	<u>(17,886)</u>
	<u>(322,478)</u>	<u>(261,542)</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(4,185)</u>	<u>(12,397)</u>
	<u>(4,185)</u>	<u>(12,397)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,566)	42,290
CASH AND CASH EQUIVALENTS, beginning of year	<u>64,517</u>	<u>22,227</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 25,951</u>	<u>\$ 64,517</u>

See accompanying Notes to Financial Statements

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JUNIPER HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. PURPOSE OF THE ORGANIZATION

Juniper Housing Corporation was incorporated on July 6, 2005 under the Non-Profit Corporations Act of Saskatchewan. Its primary purpose is to provide affordable and integrated housing units for low income senior and immigrant adult persons as well as social, recreational and cultural programs in the common areas of the housing project. The Corporation is a registered charitable organization and is exempt from income taxes under section 149(1)(f) of the Income Tax Act of Canada.

2. ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Fund Accounting

The accounts of the Organization are maintained in accordance with the restricted fund method of accounting for contributions. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

The General Fund accounts for the organization'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 the organization's capital assets. Any donations restricted for use in the purchase of capital assets are also reported in the fund.

b) Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for certain items, such as useful lives of tangible capital assets, impairment of long-lived assets, and allowance for doubtful accounts. The resolution of these uncertainties will be determined by future events.

c) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions 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.

Rental revenue from housing units are recognized as earned.

d) Deferred Forgivable HomeFirst Rental Development Program (HRDP) Loan

The Saskatchewan Housing Corporation (SHC) has designated a forgivable loan under the HRDP program for the construction and acquisition of affordable housing units by the Corporation (see Note 7). Restricted funds for this purpose are accounted for under the deferral method whereby the loan proceeds are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment.

JUNIPER HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

2. ACCOUNTING POLICIES - continued

e) Tangible Capital Assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is recorded at the following rates, which have been established by estimates of useful lives. Additions during the current year are amortized at one-half their normal rates, and no amortization is taken in the year of disposition. Amortization expense is reported in the Capital Asset Fund.

Computer hardware	45% declining balance
Furniture, appliances and equipment	30% declining balance
Building	4% declining balance
Signs	20% declining balance
Fencing	20% declining balance
Parking area	20% declining balance

f) Donated Property, Services, and Materials

The Organization receives a significant amount of donated materials and services from its directors and supporters.

Donated materials and services are recorded at fair value, when fair value can be reasonably estimated and when the materials and services are normally purchased. The value of donated services for which fair value can not be reasonably estimated is not reflected in these financial statements.

g) Income Taxes

Due to the nature of the activities as a charitable organization, the Corporation is exempt from income tax.

3. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2015</u>	<u>2014</u>
Computer hardware	\$ 1,395	\$ 1,395	\$ 0	\$ 0
Furniture, appliances and equipment	89,211	58,893	30,318	33,188
Building	4,593,388	580,166	4,013,222	4,095,125
Land	395,000	0	395,000	395,000
Signs	7,556	2,789	4,767	5,416
Fencing	23,661	12,344	11,317	12,574
Parking area	79,108	32,635	46,473	50,514
	<u>\$ 5,189,319</u>	<u>\$ 688,222</u>	<u>\$ 4,501,097</u>	<u>\$ 4,591,817</u>

JUNIPER HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant credit, interest rate, liquidity, or market (other price) risks arising from these financial instruments. Market risks result from changes in interest rates, exchange rates or foreign currencies and market prices of financial instruments.

The Organization is exposed to financial risk that arises from the fluctuations in interest rates and in the credit quality of its tenants.

The following describes the exposures to those risks, how they arise, any changes in risk exposures from the previous period, and any concentrations of risk.

Credit risk:

The Organization's credit risk consists principally of cash and cash equivalents and accounts receivable. Credit risk associated with cash is minimized substantially by ensuring that reputable and major financial institutions are used. There is no particular concentration of credit risk associated with accounts receivable because the Organization does not have any individual customers that comprise a significant portion of their total trade accounts receivable. It performs regular credit assessments and provides allowance for potentially uncollectible accounts.

Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk is not considered significant because the Organization does not regularly have transactions based in foreign currency and does not maintain a balance in foreign bank accounts.

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 Organization is exposed to interest rate risk due to fluctuations in the market interest rates it earns on cash held in its bank accounts, on its variable rate loans, which are tied to the bank prime rate, and on its fixed rate loans, which are generally set at higher rates than the variable rate loans. The Organization does not use financial instruments to reduce its interest rate risk exposure.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization enters into transactions to purchase goods and services on credit, borrow funds from creditors, etc. for which repayment is required at various maturity dates. Liquidity is measured by reviewing the Organization's future net cash flows for the possibility of a negative cash flow. The Organization is exposed to this risk mainly from its 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 risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk, as described above.

**JUNIPER HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

5. DEFERRED FORGIVEABLE HRDP LOAN

The forgivable HRDP loan was advanced from the Saskatchewan Government through SHC to assist with the construction of new affordable housing units. The Corporation is responsible for maintaining certain criteria for the amount to be forgiven. Provided that an Event of Default has not occurred, the loan is forgivable over twelve years beginning in the month after the date of substantial completion which was February 9, 2009. The loan is being forgiven at a rate of \$17,917 for the First Forgiveness Period of 120 months, \$35,833 for the Second Forgiveness Period of 29 months, with the remaining balance of \$34,833 being forgiven on the first day of the month following the Second Forgiveness Period. Interest accrued at a rate of 7.29% per annum upon an even of default. The forgiveness shown in these financial statements is calculated without verification that all requirements to earn the forgiveness were met.

Funding under the HRDP forgivable loan is as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 1,987,727	\$ 2,202,731
Amortization for the year	<u>(215,004)</u>	<u>(215,004)</u>
Balance at end of year	<u>\$ 1,772,723</u>	<u>\$ 1,987,727</u>

6. CALLABLE DEBT

	<u>2015</u>	<u>2014</u>
Affinity Credit Union mortgage, repayable in monthly instalments of \$3,688 including interest at 4.19%. This loan matures on August 1, 2010 and is secured by a building at 408 Avenue F South, Saskatoon, Saskatchewan.	\$ 513,208	\$ 597,956
Affinity Credit Union mortgage, repayable in monthly instalments of \$987 including interest at 3.7%. This loan matures on November 8, 2016 and is secured by a building at 414 Avenue F South, Saskatoon, Saskatchewan.	<u>148,811</u>	<u>154,367</u>
	662,019	752,323
Cash repayments required within 12 months	<u>\$ (29,650)</u>	<u>\$ (30,775)</u>
	<u>\$ 632,369</u>	<u>\$ 721,548</u>

JUNIPER HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

6. CALLABLE DEBT - continued

Canadian accounting standards for not-for-profit organizations require that loans that the lender can require to be repaid on demand be classified as current liabilities. Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded and that the long-term debt is renewed upon maturity on terms that are similar to the current terms, regular principal payments required on all long-term debt for the next five years are due as follows:

2016	\$	29,650
2017		30,885
2018		32,170
2019		33,500
2020		<u>34,900</u>
	\$	<u>161,105</u>

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets consists of restricted contributions received by the Corporation for use in the acquisition/construction of its building and equipment. The changes in the deferred contributions balance for the period are as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 485,186	\$ 505,402
Amounts amortized to revenue	<u>(19,407)</u>	<u>(20,216)</u>
Ending balance	<u>\$ 465,779</u>	<u>\$ 485,186</u>

Deferred contributions are recognized and taken into revenue on the same basis as the amortization expense related to the building and equipment acquired with the contribution. Contributions restricted and used for the acquisition of non-amortized property are recognized as a direct increase in net assets.

8. RENTAL RESTRICTIONS

In accordance with the forgivable HRDP loan agreement entered into with SHC, the Corporation has agreed, as a condition of CHS forgiving the loan (see Note 5), housing units will be rented to households meeting certain income restrictions, and are limited to charging a maximum rent as approved by SHC.

**JUNIPER HOUSING CORPORATION
SCHEDULE OF RENTAL ACTIVITIES - 414 AVENUE F SOUTH
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule 1

	<u>2015</u>	<u>2014</u>
REVENUES:		
Rental	\$ <u>24,720</u>	\$ <u>18,125</u>
EXPENDITURES:		
Bank charges	0	(1)
Electricity	717	867
Heating	984	1,172
Insurance	1,310	1,278
Interest on mortgage	7,348	7,736
Property taxes	1,804	1,575
Water and sewer	690	258
Repairs and maintenance	<u>3,942</u>	<u>840</u>
	<u>16,795</u>	<u>13,725</u>
	<u>\$ 7,925</u>	<u>\$ 4,400</u>

See accompanying Notes to Financial Statements

12.