

MOLE HILL COMMUNITY HOUSING SOCIETY
A Not-For-Profit Organization

FINANCIAL STATEMENTS

March 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Members of Mole Hill Community Housing Society;

We have audited the accompanying financial statements of Mole Hill Community Housing Society which are comprised of the statement of financial position as at March 31, 2011 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. The financial statements have been prepared by management of Mole Hill Community Housing Society based on the financial reporting provisions of the Homes BC Program agreement dated December 5, 2000 between Mole Hill Community Housing Society and the BC Housing Management Commission ("the agreement").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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 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.

Opinion

In our opinion, the financial statements are prepared, in all material respects, in accordance with the financial reporting provisions of the agreement.

Basis of Opinion and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Mole Hill Community Housing Society to comply with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Mole Hill Community Housing Society and the BC Housing Management Commission and should not be distributed to or used by other parties.



Certified General Accountants

Vancouver, BC
Canada
August 31, 2011

MOLE HILL COMMUNITY HOUSING SOCIETY

STATEMENT OF OPERATIONS

For the Year Ended March 31, 2011

	2011	%	2010	%
Revenue				
Tenant rent contributions (Note 18)	\$ 1,240,352	50.0	1,211,376	47.4
BC Housing subsidies	1,106,141	44.6	1,223,660	47.9
BC Housing special payments (Note 19)	42,013	1.7	-	-
Investment income	2,022	0.1	23,477	0.9
Other income (Note 20)	90,455	3.6	94,595	3.7
	<u>2,480,983</u>	<u>100.0</u>	<u>2,553,108</u>	<u>100.0</u>
Expenses				
Administration				
Salaries, wages and benefits	145,189	5.9	106,375	4.2
Office overhead	47,707	1.9	36,724	1.4
Management fees	22,543	0.9	102,379	4.0
Debt Service				
Amortization	429,676	17.3	388,669	15.2
Mortgage interest	1,012,086	40.8	1,147,418	44.9
Maintenance				
Buildings	95,612	3.9	111,142	4.4
Grounds	26,225	1.1	32,124	1.3
Salaries, wages and benefits	59,810	2.4	-	-
Service contracts	62,949	2.5	112,288	4.4
Utilities				
Garbage removal	9,551	-	8,089	-
Electricity	78,460	3.2	74,559	2.9
Natural gas	52,172	2.1	59,545	2.3
Water and sewer	28,401	1.1	31,537	1.2
Other				
Audit	11,006	0.4	10,755	0.4
Insurance	32,947	1.3	31,461	1.2
Legal	59,438	2.4	24,047	0.9
Non-recoverable sales tax (Note 21)	14,319	0.6	-	-
Property taxes	163,587	6.6	162,658	6.4
Security	16,411	0.7	24,349	1.0
	<u>2,368,089</u>	<u>95.1</u>	<u>2,464,119</u>	<u>96.1</u>
Excess of Revenue over Expenses	\$ 112,894	4.9	88,989	3.9

See Accompanying Notes and Schedules

MOLE HILL COMMUNITY HOUSING SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2011

	Replacement Reserve	Contingency Reserve	Mortgage Repayment	Organizational Reserve	Operating Funds	2011	2010
Balance, Beginning of Year	\$ 977,476	57,338	59,398	50,156	(39,996)	1,104,372	1,053,293
Prior Period Adjustment (Note 22)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,746)</u>	<u>(16,746)</u>	<u>(9,219)</u>
Restated Beginning Balance	977,476	57,338	59,398	50,156	(56,742)	1,087,626	1,044,074
Excess of Revenue over Expenses	(180,710)	-	870	-	112,894	(66,946)	43,552
Inter-Fund Transfers	102,312	-	-	-	(102,312)	-	-
Applied to Mortgage on Renewal	-	-	(35,839)	-	-	(35,839)	-
Balance, End of Year	\$ 899,078	57,338	24,429	50,156	(46,160)	984,841	1,087,626

See Accompanying Notes and Schedules



MOLE HILL COMMUNITY HOUSING SOCIETY

STATEMENT OF FINANCIAL POSITION

As at March 31, 2011

	2011	2010
ASSETS		
Current		
Cash	\$ 179,722	220,311
Accounts receivable (Note 4)	69,475	28,714
Prepaid expenses	49,438	43,224
	<u>298,635</u>	<u>292,249</u>
Restricted Cash and Investments (Note 5)	1,143,098	1,303,694
Property (Note 6)	22,831,436	23,296,951
	\$ 24,273,169	24,892,894
LIABILITIES		
Current		
Accounts payable and accruals (Note 7)	\$ 134,602	50,630
Mortgage interest	73,683	96,610
Security deposits	67,270	70,089
Deferred revenue (Note 8)	126,952	193,825
Current portion of mortgages payable	488,054	408,083
	<u>890,561</u>	<u>819,237</u>
Mortgages Payable (Note 9)	22,397,767	22,986,031
	23,288,328	23,805,268
NET ASSETS		
Restricted		
Replacement reserve (Note 10)	899,078	977,476
Contingency reserve (Note 11)	57,338	57,338
Mortgage repayment reserve (Note 12)	24,429	59,398
Organizational reserve (Note 13)	50,156	50,156
Accumulated operating deficit (Note 14)	(46,160)	(56,742)
	<u>984,841</u>	<u>1,087,626</u>
	\$ 24,273,169	24,892,894

*See Accompanying Notes and Schedules***Approved on Behalf of the Board:**_____
*Chair*_____
Treasurer

MOLE HILL COMMUNITY HOUSING SOCIETY**STATEMENT OF CASH FLOWS**

For the Year Ended March 31, 2011

	2011	2010
CASH USED FOR:		
Operating Activities		
BC Housing assistance received	\$ 1,075,545	1,174,684
Housing charges received	1,237,751	1,267,276
Other receipts	91,584	120,179
Payments for mortgage interest	(1,035,013)	(1,148,171)
Payments for operating expenses	(880,100)	(926,457)
	489,767	487,511
Financing Activities		
Repayment of mortgage principal	(508,293)	(388,668)
	(508,293)	(388,668)
Investing Activities		
Mortgage repayment fund interest	870	773
Security deposits	(2,819)	8,784
Replacement reserve fund expenditures	(238,306)	(131,796)
Replacement reserve fund income	57,596	85,587
	(182,659)	(36,652)
Change in Cash	(201,185)	62,191
Cash, Beginning of Year	1,524,005	1,461,814
Cash, End of Year	\$ 1,322,820	1,524,005
Represented by:		
Cash, unrestricted	\$ 179,722	220,311
Cash, restricted	1,143,098	1,303,694
Cash, End of Year	\$ 1,322,820	1,524,005

See Accompanying Notes and Schedules

MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 1 Purpose of the Organization

The Society was incorporated under the Society Act of British Columbia on August 6, 1999, and is a non-profit organization under the Income Tax Act. The Society's purpose is to develop and operate a British Columbia Housing Management Commission (BC Housing) project that provides housing facilities to low and moderate income tenants of Mole Hill, within a framework of the existing heritage and character houses in Vancouver, British Columbia.

Note 2 Basis of Accounting

These financial statements are prepared in accordance with the significant accounting policies set out below to comply with the Homes BC Program agreement dated December 5, 2000. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles.

Investment Income

Investment income includes unrealized gains and is offset by unrealized losses on securities.

Amortization

Property owned by the society which is encumbered by a mortgage is amortized by an amount equal to the principal reduction of the mortgage.

Capitalization of Equipment

Equipment purchases that are funded by special contributions from BC Housing or other funders are expensed in the year purchased; the related revenue is recognized in the year received.

Financial Instruments

All financial assets are classified as held for trading; all financial liabilities are classified as other financial liabilities.

Net Income - Restricted Net Assets

Income and expenses attributable to restricted net assets are excluded from the statement of operations; such amounts are instead credited to the applicable net asset category.



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 3 Financial Instruments

Fair Value

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term maturities of these items.

The carrying amount of short-term and long-term investments are reported at their fair values because the interest rates approximate the market rates for these types of investments.

Foreign Currency and Interest Rate Risk

The Society is not exposed to foreign exchange risk because it has neither financial assets nor liabilities denominated in foreign currencies.

The Society is not exposed to interest rate risk because its mortgages payable have a fixed interest rates.

Note 4 Accounts Receivable

	<u>2011</u>	<u>2010</u>
Due from tenants	\$ 3,414	1,238
Interest receivable	151	71
Goods and services tax recoverable	52,447	22,255
Other	<u>13,463</u>	<u>5,150</u>
	<u>\$ 69,475</u>	<u>28,714</u>

Note 5 Restricted Cash and Investments

Cash and investments designated for specific purposes are segregated as follows:

	<u>2011</u>	<u>2010</u>
Construction funds held in trust - Phase 1	\$ -	78,452
Construction funds held in trust - Phase 2	70,888	70,183
Security deposits	67,270	70,089
Replacement reserve	897,446	977,476
Contingency reserve	57,338	57,338
Organizational reserve	<u>50,156</u>	<u>50,156</u>
	<u>\$ 1,143,098</u>	<u>1,303,694</u>



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 6 Property

	<u>2011</u>	<u>2010</u>
Phase I		
Building and fixtures	\$ 8,512,623	8,512,623
Accumulated amortization	<u>1,138,871</u>	<u>956,278</u>
Net book value	<u>7,373,752</u>	<u>7,556,345</u>
Phase II		
Building and fixtures	16,964,341	16,964,341
Accumulated amortization	<u>1,705,568</u>	<u>1,425,625</u>
Net book value	<u>15,258,773</u>	<u>15,538,716</u>
Watson House		
Building and fixtures	212,073	212,073
Accumulated amortization	<u>13,162</u>	<u>10,183</u>
Net book value	<u>198,911</u>	<u>201,890</u>
Total net book value	<u>\$ 22,831,436</u>	<u>23,296,951</u>

During 2007 the Society received a \$315,000 grant from the City of Vancouver and a \$250,000 forgivable loan from BC Housing (see Note 17) as assistance towards the completion of Watson House. The proceeds of these two funding sources have been deducted from the capital cost of the Watson House building and fixtures. An additional \$7,927 of funds withheld in anticipation of future adjustments was deducted from the capital cost in 2008.



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 7 Accounts Payable and Accruals

	<u>2011</u>	<u>2010</u>
Accounts payable - trade	\$ 110,867	15,689
Accrued liabilities	18,500	32,704
Due to ex-tenants	1,248	1,248
Due to government agencies	<u>3,987</u>	<u>989</u>
	<u>\$ 134,602</u>	<u>50,630</u>

Note 8 Deferred Revenue

	<u>2011</u>	<u>2010</u>
BC Housing subsidies	\$ 120,448	193,057
Rent paid in advance	343	768
Vancouver 125 grant	<u>6,161</u>	<u>-</u>
	<u>\$ 126,952</u>	<u>193,825</u>



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 9 Long-Term Debt

	<u>2011</u>	<u>2010</u>
Bank of Montreal		
Mortgage repayable in monthly installments of \$37,389 including interest at 3.886% per annum, secured by a first charge over the Phase I building maturing October 1, 2020.	\$ 7,373,751	7,599,122
Mortgage repayable in monthly installments of \$75,167 including interest at 3.886% per annum, secured by a first charge over the Phase II building maturing October 1, 2037.	15,305,232	15,585,175
Manulife Financial		
Mortgage repayable in monthly installments of \$1,084 including interest at 4.857% per annum, secured by a first charge over Watson House maturing May 1, 2016.	<u>206,838</u>	<u>209,817</u>
	<u>22,885,821</u>	23,394,114
Principal payments due within one year.	<u>488,054</u>	<u>408,083</u>
	<u>\$ 22,397,767</u>	<u>22,986,031</u>

Principal repayments due in each of the next five years are as follows:

2012	\$ 488,054
2013	509,905
2014	529,948
2015	550,782
2016	572,433



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 10 Replacement Reserve

Under the terms of the agreement with BC Housing, the Society is required to credit budgeted allocations to replacement reserves annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation; in investments guaranteed by a Canadian government or in other investment instruments as agreed upon with BC Housing. The reserve funds may only be used for capital repairs and replacements, in accordance with the operating agreement.

Activity during the year is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 977,476	895,802
Transfer from operating surplus	102,312	127,883
Investment income	57,596	85,587
Expenses	<u>(238,306)</u>	<u>(131,796)</u>
	<u>\$ 899,078</u>	<u>977,476</u>

Note 11 Contingency Reserve

The Society established a contingency reserve to provide for the payment of any unanticipated operating expenses. Amounts transferred to the reserve represent net operating surplus realized prior to the receipt of first mortgage funds for each construction phase.

Note 12 Mortgage Repayment Reserve

Mortgage funds advanced for construction in excess of actual construction costs are held in trust by BC Housing. The funds will be used to reduce the principal balance of the mortgage on renewal. Interest earned on the trust funds is accumulated in the mortgage repayment fund.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 59,398	58,626
Interest income	870	772
Transfer on mortgage renewal	<u>(35,839)</u>	<u>-</u>
	<u>\$ 24,429</u>	<u>59,398</u>



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 13 Organizational Reserve

The organizational reserve accounts for special funding provided by BC Housing to assist in the development and operation of the Society, funding otherwise unbudgeted expenditures. There was no activity in the current year.

	<u>2011</u>	<u>2010</u>
Balance	\$ <u>50,156</u>	<u>50,156</u>

Note 14 Accumulated Operating Surplus

Under the Provincial Housing Program, the Society may retain funds from the operating surpluses to pay for previous fiscal years' operating deficits, capital renovations or housing related programs for members. These funds, along with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation; in investments guaranteed by a Canadian government or in other investment instruments as agreed upon with BC Housing.

Note 15 Subsidy Adjustments

BC Housing conducts an annual review of the financial statements and may adjust for any subsidy discrepancies between the Society and BC Housing. Prior year adjustments are recognized in the fiscal year they are determined.

Note 16 Repayable Assistance

The cumulative non-Rent-Geared-to-Income (non-RGI) assistance is contingently repayable to BCHMC in the event that the total non-RGI tenant rent contribution in any year exceeds the economic rent of the suites occupied by non-RGI tenants. The Society is required to commence repayment of the cumulative non-RGI assistance on the first day of the fiscal year following the fiscal year in which the preceding event occurs.

The balance then bears interest at bank prime and the required monthly payments are set annually, based upon the amount by which non-RGI tenant rent contribution exceeds economic rent for these suites in the prior year.

Repayable Assistance:	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 2,160,996	1,840,842
BC Housing contribution	<u>247,087</u>	<u>320,154</u>
Balance, end of year	\$ <u>2,408,083</u>	<u>2,160,996</u>



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 17 BC Housing Forgivable Loan

During its 2007 year the Society received mortgage funding, in the form of a \$250,000 forgivable loan, from BC Housing for the construction of Watson House. The loan is interest free until a default occurs. If a default occurs interest is payable at Royal Bank of Canada prime plus 2%. The loan principal is contingently repayable to BCHMC in the event that there is a default. The loan will be considered to be in default if one of a number of events listed in subsection 8(1) of the loan agreement occurs. As of October 1, 2014, provided there has not been a prior default under the terms of the loan, the loan will be forgiven starting in year eleven at a rate of 1/15 of the grant amount per year.

Note 18 Tenant Rent Contributions

The Society has on file declarations of tenants' incomes and documentation that the correct tenant rent contributions, as approved by BC Housing, have been charged.

Note 19 BC Housing Special Payments

The society received special payments from BC Housing to fund legal expenses - \$29,342 and fire monitoring systems - \$12,671. The related expenses are included in legal and maintenance - buildings on the statement of operations.

Note 20 Other Income

Other income is comprised of:

	<u>2011</u>	<u>2010</u>
Laundry income	\$ 14,915	13,099
Parking income	11,200	12,355
Goods and services tax recovery (Note 21)	-	16,733
Electricity surcharges	53,084	50,332
Cost recoveries and miscellaneous	<u>11,256</u>	<u>2,076</u>
	<u>\$ 90,455</u>	<u>94,595</u>



MOLE HILL COMMUNITY HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Note 21 Accounting for Recoverable Sales Taxes

During the current fiscal year the Society changed its method of accounting for recoverable goods and services tax and harmonized sales tax. In prior years recoverable taxes paid were included in other income, with the related expenses reported at their gross amounts. In the current year the non-recoverable portion of taxes paid is reported as a separate expense item; the related expenses are reported net of recoverable and non-recoverable taxes.

Note 22 Prior Period Adjustment

The comparative figures for 2010 have been restated to eliminate subsidies recorded in prior years that were not recognized by BC Housing and to adjust cumulative amortization of Phase 1 and 2 buildings to correspond with the cumulative reduction in the corresponding mortgage balances funded by regular payments. The effect of the adjustments was to reduce the excess of income over expenditures for 2010 by \$7,527 and that of prior years by \$9,219.



MOLE HILL COMMUNITY HOUSING SOCIETY
STATEMENT OF CHANGES IN OPERATIONS - BY LOCATION
For the Year Ended March 31, 2011

	Phase I & II	Watson House	Total
Revenue			
Tenant rent contributions	\$ 1,204,352	36,000	1,240,352
BC Housing subsidies	1,106,141	-	1,106,141
BC Housing special payments	42,013	-	42,013
Other income	90,455	-	90,455
Investment income	2,022	-	2,022
	<u>2,444,983</u>	<u>36,000</u>	<u>2,480,983</u>
Expenses			
Administration			
Salaries, wages and benefits	140,543	4,646	145,189
Office overhead	46,342	1,365	47,707
Management fees	21,822	721	22,543
Debt Service			
Amortization	426,697	2,979	429,676
Mortgage interest	1,002,074	10,012	1,012,086
Maintenance			
Buildings	88,514	7,098	95,612
Grounds	25,386	839	26,225
Salaries, wages and benefits	59,810	-	59,810
Service contracts	61,631	1,318	62,949
Utilities			
Garbage removal	9,245	306	9,551
Electricity	74,987	3,473	78,460
Natural gas	52,172	-	52,172
Water and sewer	28,401	-	28,401
Other			
Audit	10,654	352	11,006
Legal	59,438	-	59,438
Security	15,917	494	16,411
Insurance	31,893	1,054	32,947
Non-recoverable sales tax	13,872	447	14,319
Property taxes	156,953	6,634	163,587
	<u>2,326,351</u>	<u>41,738</u>	<u>2,368,089</u>
Excess of Revenue over Expenses	\$ 118,632	(5,738)	112,894

See Accompanying Notes and Schedules



MOLE HILL COMMUNITY HOUSING SOCIETY
STATEMENT OF CHANGES IN OPERATING SURPLUS - BY LOCATION
For the Year Ended March 31, 2011

	Phase I & II	Watson House	Total
Balance, Beginning of Year	\$ (26,728)	(13,268)	(39,996)
Prior period adjustment (Note 22)	<u>(16,746)</u>	<u>-</u>	<u>(16,746)</u>
As restated	(43,474)	(13,268)	(56,742)
Excess of Revenue over Expenses	118,632	(5,738)	112,894
Transfer to Replacement Reserve	(102,312)	-	(102,312)
Balance, End of Year	\$ (27,154)	(19,006)	(46,160)

See Accompanying Notes and Schedules



AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT WITH BC HOUSING

To: BC Housing

We have audited **Mole Hill Community Housing Society's** compliance as at March 31, 2011 with the criteria established in Sections 5.2, 5.3, 5.12, 5.10 of the Society's Operating Agreement(s) with BC Housing dated December 5, 2000, in respect of:

- i) Section 5.2 - Verification of Income and Assets for all Tenants
- ii) Section 5.3 - Tenant Rent Contributions being charged to Rent-Geared-to-Income Tenants
- iii) Section 5.12 - Funding and maintenance of the Replacement Reserve, and the interest related thereto, and
- iv) Section 5.10 - Spending and accounting for the Accumulated Operating Surplus of the Homes BC development.

Compliance with the criteria established by the provisions of the Operating Agreement(s) is the responsibility of the management of the Mole Hill Community Housing Society. Our major responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Mole Hill Community Housing Society complied with the criteria established by the provisions of the Operating Agreement(s) referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, Mole Hill Community Housing Society is in compliance, in all material respects, with the criteria set out in Sections 5.2, 5.3, 5.12, 5.10 of the Society's Operating Agreement(s) with BC Housing dated December 5, 2000.

Galloway Battelle & Company

Certified General Accountants

Vancouver, BC
August 10, 2011

