

Lacombe Foundation  
Statement of Financial Position  
As at December 31, 2016

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 336,950	\$ 631,296
Guaranteed investment certificates	1,500,000	800,000
Due from related party (Note 12)	52,647	288,564
Receivables (Note 4)	260,751	111,988
Prepays	<u>39,029</u>	<u>36,915</u>
	2,189,377	1,868,763
 Tangible capital assets (Note 5)	 <u>8,928,519</u>	 <u>9,383,391</u>
 Total Assets	 <u>\$ 11,117,896</u>	 <u>\$ 11,252,154</u>
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals (Note 6)	\$ 380,863	\$ 457,117
Unearned income and deposits	57,626	48,026
Deferred contributions (Note 7)	80,400	80,400
Current portion of leases	-	9,783
Current portion of callable debt (Note 8)	<u>110,349</u>	<u>107,586</u>
	629,238	702,912
 Callable debt (Note 8)	 <u>1,686,038</u>	 <u>1,796,386</u>
	2,315,276	2,499,298
 Deferred contributions related to capital assets (Note 10)	 <u>4,238,301</u>	 <u>4,599,132</u>
	<u>6,553,577</u>	<u>7,098,430</u>
<b>Net Assets</b>		
Unrestricted net assets	1,443,688	1,085,221
Internally restricted net assets (Note 11)	226,800	198,000
Net assets invested in capital assets	<u>2,893,831</u>	<u>2,870,503</u>
	<u>4,564,319</u>	<u>4,153,724</u>
 Total Liabilities and Net Assets	 <u>\$ 11,117,896</u>	 <u>\$ 11,252,154</u>

SIGNED *Chairman of the Board of Directors* :

Lacombe Foundation  
Statement of Changes in Net Assets  
For the Year Ended December 31, 2016

	2016			2015	
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 11)	Net Assets Invested In Capital Assets	Total	Total
Beginning balance	\$ 1,085,221	\$ 198,000	\$ 2,870,502	\$ 4,153,723	\$ 3,765,293
Excess of revenues over expenses	410,594	-	-	410,594	388,431
Amortization of tangible capital assets	444,511	-	(444,511)	-	-
Purchase of capital assets net of amount funded by capital contributions	(68,159)	-	68,159	-	-
Amortization of deferred capital contributions	(282,311)	-	282,311	-	-
Repayment of long term debt	(107,585)	-	107,585	-	-
Repayment of capital lease	(9,783)	-	9,783	-	-
Transfer to internally restricted net assets	(28,800)	28,800	-	-	-
Ending balance	\$ 1,443,688	\$ 226,800	\$ 2,893,831	\$ 4,564,319	\$ 4,153,724

Lacombe Foundation  
Statement of Operations  
For the Year Ended December 31, 2016

	2016 Actual	2016 Budget (Unaudited)	2015 Actual
<b>Revenue</b>			
Accommodation	\$ 2,734,590	\$ 2,717,000	\$ 2,673,128
Grants	777,310	541,000	542,222
Recoveries	166,875	125,000	161,758
Alberta Health Services	336,317	329,000	328,944
Donations	6,755	-	7,105
Interest and miscellaneous	53,739	22,000	32,353
Amortization of deferred contributions	282,311	-	288,594
	<u>4,357,897</u>	<u>3,734,000</u>	<u>4,034,104</u>
<b>Expenses</b>			
Administration management	111,600	111,600	76,008
Amortization of capital assets	444,511	-	491,618
Building and ground maintenance	197,407	170,700	185,316
Equipment and appliances	28,831	33,500	31,218
Food and kitchen supplies	454,933	466,000	460,730
General administration	188,448	190,100	184,943
Insurance	31,638	36,700	32,197
Interest on long term debt	50,528	157,800	56,918
Laundry and linen supplies	65,587	54,500	67,762
Non-recurring maintenance	246,019	29,000	-
Professional fees	22,449	7,400	4,274
Property taxes	98,088	98,700	96,564
Resident life enhancement	7,721	10,100	13,297
Utilities	305,929	310,500	281,367
Vehicle and travel	-	1,400	-
Wages and benefits	2,333,194	2,429,000	2,288,061
	<u>4,586,883</u>	<u>4,107,000</u>	<u>4,270,273</u>
Deficiency of revenue over expenses before requisition and other items	(228,986)	(373,000)	(236,169)
Gain on Disposal of Asset(s)	14,980	-	-
Requisition (Note 14)	<u>624,600</u>	<u>624,600</u>	<u>624,600</u>
Excess of revenue over expenses	<u>\$ 410,594</u>	<u>\$ 251,600</u>	<u>\$ 388,431</u>

Lacombe Foundation  
Statement of Cash Flows  
For the Year Ended December 31, 2016

	2016	2015
Cash provided (used) by operating activities:		
Excess of revenue over expenses	\$ 410,594	\$ 388,435
Items not involving cash:		
Amortization of tangible capital assets	444,511	491,618
Gain on disposal of property and equipment	(14,980)	-
Amortization of deferred capital contributions	<u>(282,311)</u>	<u>(288,594)</u>
	557,814	591,459
 Changes in operating net assets:		
Receivables	(148,763)	(70,980)
Due from related party	235,917	(424,161)
Prepays	(2,114)	(25,218)
Payables and accruals	(76,254)	78,106
Unearned income and deposits	9,600	(9,265)
Deferred contributions	<u>-</u>	<u>60,000</u>
	<u>576,200</u>	<u>199,941</u>
 Cash provided (used) by financing activities:		
Repayment of capital lease obligation	(9,783)	(27,728)
Repayment of callable debt	<u>(107,585)</u>	<u>(103,039)</u>
	<u>(117,368)</u>	<u>(130,767)</u>
 Cash provided (used) by investing activities:		
Purchase of tangible capital assets	(53,178)	(222,394)
(Increase) decrease in guaranteed investment certificates	(700,000)	400,000
Deferred capital contributions	<u>-</u>	<u>196,979</u>
	<u>(753,178)</u>	<u>374,585</u>
 (Decrease) increase in cash during the year	(294,346)	443,759
 Cash and cash equivalents, beginning of year	<u>631,296</u>	<u>187,537</u>
 Cash and cash equivalents, end of year	<u>\$ 336,950</u>	<u>\$ 631,296</u>

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Lacombe Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

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**1. Nature of operations**

Lacombe Foundation (Lacombe) was established as a management body by Ministerial Order, pursuant to the Alberta Housing Act. It is responsible for the operation and administration of Lacombe Senior Citizens' Lodge, Eckville Manor House, Terrace Heights Affordable Housing in Lacombe, Alberta and Blackfalds Affordable Housing in Blackfalds, Alberta.

Lacombe is a government not-for-profit organization (GNFPO) that is defined as a government organization that meets the definition of a not-for-profit organization and has counterparts outside the public sector.

**2. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations set out in the CPA Canada Public Sector Accounting (PSA) Handbook. Lacombe is a GNFPO that has elected to follow the standards for not-for-profit organizations in the CPA Canada PSA Handbook.

a) Use of Estimates:

The preparation of these statements requires the organization 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 statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include allowance for doubtful accounts, estimated useful lives of capital assets, and current portion of capital lease obligation. Actual results could differ from these estimates.

b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks, and guaranteed investment certificates with original maturities of 3 months or less.

c) Revenue recognition:

The organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including accommodation, recoveries, and health services funding, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Provincial government grants are recognized as revenue in the year in which the related expenses are incurred. Requisition revenue is recognized as income in the year for which the funding is requisitioned. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related acquired capital assets.

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Lacombe Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

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**2. Significant accounting policies (continued)**

d) Contributed supplies and services:

The organization may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

e) Tangible capital assets:

Tangible capital assets are recorded at cost. When the organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date. When fair value cannot be reasonably determined, the tangible capital asset is recorded at a nominal value. These assets are then amortized on the "straight-line" method over the following estimated useful life of each asset:

Buildings	25 years
Equipment	4 to 10 years

When the organization recognizes that a tangible capital asset no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

f) Financial assets and liabilities:

Upon initial measurement, the organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

At each reporting date, the organization measures its financial assets and liabilities at amortized cost, including any impairment in the case of financial assets. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and accruals, callable debt and capital lease obligations.

With respect to financial assets measured at amortized cost, the organization assesses whether there are any indications of impairment. When there is a indication of impairment, and if the organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Lacombe Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**3. Cash and cash equivalents**

	<u>2016</u>	<u>2015</u>
Cash on hand and balances with banks, net of outstanding cheques and deposits	\$ 311,786	\$ 600,521
Trust account for security deposits	<u>25,164</u>	<u>30,775</u>
	<u>\$ 336,950</u>	<u>\$ 631,296</u>

The Board of Lacombe Foundation has internally restricted \$226,800 of cash as reserves for future major maintenance repairs and upgrades to the lodges and affordable housing facilities as indicated in Note 11.

**4. Receivables**

	<u>2016</u>	<u>2015</u>
Resident and tenant receivables	\$ 39,204	\$ 42,135
GST recoverable	13,154	18,420
Grant receivable	140,698	31,979
Interest receivable	18,019	9,929
Other receivables	<u>49,676</u>	<u>9,525</u>
	<u>\$ 260,751</u>	<u>\$ 111,988</u>

**5. Tangible capital assets**

	<u>2016</u>			<u>2015</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,980,648	\$ -	\$ 1,980,648	\$ 1,980,648
Buildings	12,620,819	5,836,458	6,784,361	7,255,146
Equipment	<u>646,562</u>	<u>483,051</u>	<u>163,511</u>	<u>147,597</u>
	<u>\$ 15,248,029</u>	<u>\$ 6,319,509</u>	<u>\$ 8,928,520</u>	<u>\$ 9,383,391</u>

Lacombe Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**6. Payables and accruals**

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 105,268	\$ 206,535
Wages and benefits remittances payable	129,708	120,362
Payroll remittances payable to CRA	47,571	56,391
Accrued audit fees payable	6,400	4,535
Employee future benefits payable	<u>91,917</u>	<u>69,294</u>
	<u>\$ 380,864</u>	<u>\$ 457,117</u>

**7. Deferred contributions**

Deferred contributions relate to donations made for designated purposes, and are recorded as revenue when expended. No expenditures of designated funds occurred during 2016.

**8. Callable debt**

	<u>2016</u>	<u>2015</u>
ATB Financial demand loan, bearing interest at prime, repayable in monthly blended instalments of \$6,850.	\$ 754,679	\$ 815,553
ATB Financial demand loan, bearing interest at prime, repayable in monthly blended instalments of \$6,300.	<u>1,041,708</u>	<u>1,088,419</u>
	<u>\$ 1,796,387</u>	<u>\$ 1,903,972</u>

The collateral security lodged by the organization to support the callable debt is a first charge over land and building with a carrying value of \$6,689,175 (\$2015 - \$7,294,427) and an assignment of rents.

Although the bank loans are of a demand nature, management does not believe that the demand feature will be exercised. Accordingly, the scheduled principal repayments on the callable debt for the next five years are as follows:

2017	\$	110,349
2018		113,365
2019		116,464
2020		119,648
2021		122,919
Subsequent years		<u>1,213,642</u>
		<u>\$ 1,796,387</u>

6(d).



Lacombe Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**9. Capital lease obligation**

	<u>2016</u>	<u>2015</u>
The obligation for the capital lease has been satisfied.		
Total minimum lease payments	-	9,959
Less: amount representing interest at 8.63%	-	(176)
	-	9,783
Less: current portion	-	9,783
	\$ -	\$ -

**10. Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent restricted contributions from government and donations with which some of the capital assets were purchased. The changes in the deferred contributions balance for the year are as follows:

	<u>2016</u>	<u>2015</u>
Deferred balance, beginning of year	\$ 4,599,132	\$ 4,705,747
Add: contributions received	-	181,979
Less: transfer to revenue	(78,518)	-
Less: recognized as revenue	(282,313)	(288,594)
Deferred balance, end of year	\$ 4,238,301	\$ 4,599,132

**11. Net assets internally restricted**

The Foundation's Board of Directors has established reserve funds to fund future major maintenance repairs and upgrades to the lodges and affordable housing facilities. A portion of the annual operating surplus from affordable housing operations is transferred into the affordable housing reserve. In 2016, the amount transferred is \$28,800 (2015 - \$28,800), increasing the affordable housing reserve to \$204,800 (2015 - \$176,000). The reserve for lodge operations remains unchanged in 2016 at \$22,000. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

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Lacombe Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

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**12. Related party transactions**

The organization paid management fees of \$111,600 to Bethany Nursing Home of Camrose, Alberta for the year ended December 31, 2016 (2015 - \$76,008) plus \$44,710 for network and administration support (2015 - \$36,998). During 2016, Lacombe Foundation worked with vendors to have accounts related to the Provincial Housing put into the Bethany Groups name for the projects in Lacombe, Eckville and surrounding communities, which are managed by Bethany Nursing Home of Camrose, Alberta. The amount receivable to (payable by) Lacombe Foundation from (to) Bethany Nursing Home of Camrose, Alberta is \$52,647 at December 31, 2016 (2015 - (\$288,564)). These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount agreed upon by the related parties. The Bethany Nursing Home of Camrose, Alberta acts as Chief Administrative Officer (CAO) for Lacombe providing management, administrative, and operational support for the organization.

**13. Financial instruments**

The organization maintains a risk management framework to monitor, evaluate, and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit, liquidity, and market risk; market risk arises from changes in interest rates and other price risks.

*Credit risk*

The organization is exposed to credit risk in the event of non-performance by counterparties in connection with its receivables. The organization does not obtain collateral or other security to support the receivables subject to credit risk, and does not anticipate significant loss for non-performance beyond that already provided for as an allowance for doubtful accounts. There has been no significant change in risk from the prior year.

*Market risk*

The organization's financial instruments expose it to market risk, in particular interest rate risk and other price risk, resulting from its operations. There has been no significant change in risk from the prior year.

The guaranteed investment certificates bear interest at a fixed rate and the organization is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The organization's callable debt consists of loans that are subject to fluctuations in interest rates. The organization does not use derivative financial instruments to alter the effects of this risk.

*Liquidity risk*

Liquidity risk is the risk the organization may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The organization's exposure to liquidity risk is dependent on the receipt of funds from a variety of sources, whether in the form of revenue or advances. There has been no significant change in risk from the prior year.

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Lacombe Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

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**14. Comparative Figures**

Certain comparative amounts for the prior year have been re-categorized in these financial statements. The reclassification has no effect on the surplus (deficiency) from operations or the net assets of the organization as previously reported.

**15. Municipal requisitions**

	<u>2016</u>	<u>2015</u>
Lacombe County	\$ 415,921	\$ 424,666
City of Lacombe	107,306	105,058
Town of Blackfalds	75,577	68,519
Town of Eckville	7,433	7,558
Town of Bentley	6,808	6,746
Village of Alix	6,933	7,308
Village of Clive	<u>4,622</u>	<u>4,745</u>
	<u>\$ 624,600</u>	<u>\$ 624,600</u>