

**CHOICES Association Inc.**  
**Financial Statements**  
**For the year ended March 31, 2014**

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For the year ended March 31, 2014

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**Contents**

<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenue and Expenses	5
Schedule 1 - Revenue and Expenses - Day Programs	6
Schedule 2 - Revenue and Expenses - Family Home Program	7
Schedule 3 - Revenue and Expenses - Supported Independent Living Program	8
Schedule 4 - Revenue and Expenses - Group Living Support Program	9
Schedule 5 - Revenue and Expenses - Passport Program	10
Schedule 6 - Revenue and Expenses - Small Water Works Program	11
Schedule 7 - Revenue and Expenses - Agency Programs	12
Schedule 8 - Revenue and Expenses - Ministry of Housing Program	13
Statement of Cash Flows	14
Notes to Financial Statements	15 - 21



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## Independent Auditor's Report

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To the Directors of CHOICES Association Inc.

We have audited the accompanying financial statements of CHOICES Association Inc. (the "Association"), which comprise the statement of financial position as at March 31, 2014, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management based on the financial reporting provisions of the Program Guidelines of the Ministry of Community and Social Services, as described in Note 1.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Ministry of Community and Social Services, as described in Note 1; this includes the determination that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the 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 Association'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 purposes of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Association, 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 charitable organizations, the Association derives revenues from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the Association's records. Therefore, we were not able to determine whether any adjustments might be necessary to donation and other fundraising revenue, excess of revenue over expenses, cash flows from operations for the year ended March 31, 2014 and current assets and net assets as at April 1, 2013 and March 31, 2014. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2013 was modified accordingly because of the possible effects of a similar limitation in scope.

### Qualified 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 CHOICES Association Inc. as at March 31, 2014 and the results of its operations and cash flows for the year then ended in accordance with the financial reporting provisions of the Program Guidelines of the Ministry of Community and Social Services.

### Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Association to comply with the financial reporting provisions of the Ministry of Community and Social Services. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Association and the Ministry of Community and Social Services and should not be distributed to or used by parties other than the Association or the Ministry of Community and Social Services.

### Other Matters

The financial statements of CHOICES Association Inc. for the year ended March 31, 2013 were audited by the firm Bell & Company LLP, whose practice now operates under BDO Canada LLP and who expressed a qualified opinion on those statements on June 17, 2013 for the reasons described in the Basis of Qualified Opinion paragraph.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants  
Burlington, Ontario  
June 24, 2014

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**CHOICES Association Inc.**  
**Statement of Financial Position**

**March 31**

**2014**

**2013**

**Assets**

**Current**

Cash	\$ 202,561	\$ 327,260
Accounts receivable	270,037	243,929
Inventory	21,780	35,088
Prepaid expenses	14,631	15,921
	<u>509,009</u>	<u>622,198</u>

**Investments (Note 2)**

125,355      35,605

**Capital assets (Note 3)**

2,686,697      2,883,334

\$ 3,321,061      \$ 3,541,137

**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities	\$ 649,508	\$ 588,082
Current portion of long-term debt (Note 4)	67,036	584,424
Ministry of Housing capital reserve (Note 5)	38,353	35,605
	<u>754,897</u>	<u>1,208,111</u>

**Long-term debt (Note 4)**

948,514      627,763

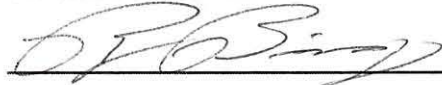
1,703,411      1,835,874

**Net assets**

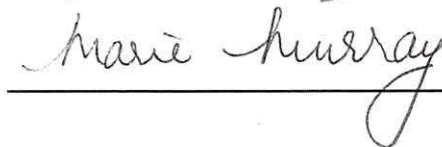
Net assets in Nevada lottery fund	8,319	8,319
Net assets internally restricted (Note 6)	123,000	123,000
Net assets in operating fund	1,486,331	1,573,944
	<u>1,617,650</u>	<u>1,705,263</u>

\$ 3,321,061      \$ 3,541,137

On behalf of the Board:



Director



Director

**CHOICES Association Inc.**  
**Statement of Changes in Net Assets**

For the year ended March 31	Nevada Lottery Fund	Internally Restricted Reserve Fund	Operating Fund	2014	2013
Net assets, beginning of year	\$ 8,319	\$ 123,000	\$ 1,573,944	\$ 1,705,263	\$ 1,716,620
Deficiency of revenue over expenses for the year	-	-	(87,613)	(87,613)	(11,357)
Net assets, end of year	\$ 8,319	\$ 123,000	\$ 1,486,331	\$ 1,617,650	\$ 1,705,263

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



## CHOICES Association Inc. Statement of Revenue and Expenses

For the year ended March 31

2014

2013

### Revenue

Day Programs (Schedule 1)	\$ 1,055,813	\$ 983,815
Family Home Program (Schedule 2)	702,758	731,200
Supported Independent Living Program (Schedule 3)	251,664	251,664
Group Living Support Program (Schedule 4)	6,005,791	5,765,600
Passport Program (Schedule 5)	134,659	145,947
Small Water Works Program (Schedule 6)	20,000	20,000
Agency Programs (Schedule 7)	148,683	359,285
Ministry of Housing Program (Schedule 8)	97,840	98,926
	<u>8,417,208</u>	<u>8,356,437</u>

### Expenses

Day Programs (Schedule 1)	1,055,813	983,815
Family Home Program (Schedule 2)	702,758	731,200
Supported Independent Living Program (Schedule 3)	251,664	251,664
Group Living Support Program (Schedule 4)	6,005,791	5,825,151
Passport Program (Schedule 5)	134,659	145,947
Small Water Works Program (Schedule 6)	20,000	20,000
Agency Programs (Schedule 7)	236,296	311,091
Ministry of Housing Program (Schedule 8)	97,840	98,926
	<u>8,504,821</u>	<u>8,367,794</u>

Deficiency of revenue over expenses for the year	\$ (87,613)	\$ (11,357)
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**CHOICES Association Inc.**  
**Schedule 1 - Revenue and Expenses**  
**Day Programs**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Provincial subsidy	\$ 964,725	\$ 878,724
Paper products program	62,135	48,587
Passport funding	6,887	23,088
The Mulberry Bush sales	21,586	32,896
Miscellaneous income	480	520
	<u>1,055,813</u>	<u>983,815</u>
<b>Expenses</b>		
Administration (Note 11)	78,723	48,725
Advertising and promotion	286	603
Employee benefits	150,823	148,696
Employee salaries	511,722	527,039
Expense recovery	(62,801)	(51,024)
Food and supplies	14,941	34,988
Insurance	5,340	12,198
Miscellaneous	27	4,032
Paper products program costs	21,458	6,031
Purchased services	50,540	58,413
Rent	39,160	41,222
Repairs and maintenance	123,451	56,241
Staff training	4,301	401
Staff travel	3,263	7,712
The Mulberry Bush costs	77,191	18,866
Training incentives	25,459	43,844
Utilities	11,929	25,828
	<u>1,055,813</u>	<u>983,815</u>
<b>Excess of revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>

**CHOICES Association Inc.**  
**Schedule 2 - Revenue and Expenses**  
**Family Home Program**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Provincial subsidy	\$ 460,037	\$ 460,037
Ontario disability support program	<u>242,721</u>	<u>271,163</u>
	<u>702,758</u>	<u>731,200</u>
<b>Expenses</b>		
Administration (Note 11)	34,490	49,444
Advertising and promotion	131	127
Amortization	13,908	19,144
Comfort allowance	24,878	31,904
Employee benefits	44,848	43,339
Employee salaries	210,390	181,295
Expense recovery	(696)	(239)
Insurance	3,786	3,783
Miscellaneous	174	1,908
Purchased services	327,765	347,073
Rent	21,855	22,660
Repairs and maintenance	4,959	6,908
Staff training	1,206	1,218
Staff travel	8,876	9,875
Supplies	2,682	1,846
Utilities	<u>3,506</u>	<u>10,915</u>
	<u>702,758</u>	<u>731,200</u>
<b>Excess of revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>



**CHOICES Association Inc.**  
**Schedule 3 - Revenue and Expenses**  
**Supported Independent Living Program**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Provincial subsidy	\$ 251,664	\$ 251,664
<b>Expenses</b>		
Administration (Note 11)	17,953	11,442
Advertising and promotion	23	20
Purchased services	3,288	1,907
Employee salaries	180,080	186,692
Employee benefits	30,556	33,306
Expense recovery	(1,628)	(1,941)
Insurance	1,942	485
Miscellaneous	89	159
Rent	4,701	5,693
Repairs and maintenance	1,548	1,219
Staff training	1,173	422
Staff travel	10,401	10,171
Supplies	1,056	569
Utilities	482	1,520
	<u>251,664</u>	<u>251,664</u>
<b>Excess of revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>

**CHOICES Association Inc.**  
**Schedule 4 - Revenue and Expenses**  
**Group Living Support Program**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Provincial subsidy	\$ 5,455,357	\$ 5,021,984
Ontario disability support program	433,934	407,149
Community response program	21,661	76,825
Special needs funding	94,839	259,642
	<u>6,005,791</u>	<u>5,765,600</u>
<b>Expenses</b>		
Administration (Note 11)	413,705	358,508
Advertising and promotion	1,280	1,085
Comfort allowance	28,868	28,834
Employee salaries	3,298,095	3,414,331
Employee benefits	743,278	804,221
Expense recovery	(17,702)	(49,146)
Rent	98,068	102,766
Repairs and maintenance	234,617	165,271
Food and supplies	164,219	164,206
Insurance	39,417	40,267
Miscellaneous	7,970	3,342
Purchased services	661,619	425,524
Purchased services - out paid resources	226,837	232,739
Staff training	22,583	20,804
Staff travel	12,376	16,118
Utilities	70,561	96,281
	<u>6,005,791</u>	<u>5,825,151</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ -</b>	<b>\$ (59,551)</b>

**CHOICES Association Inc.**  
**Schedule 5 - Revenue and Expenses**  
**Passport Program**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Program revenue	\$ 112,446	\$ 117,611
Passport funding	<u>22,213</u>	<u>28,336</u>
	<u>134,659</u>	<u>145,947</u>
<b>Expenses</b>		
Administration (Note 11)	5,782	12,369
Advertising and promotion	34	35
Employee salaries	88,483	80,774
Employee benefits	6,318	11,783
Expense recovery	(17)	(60)
Food and supplies	626	1,148
Insurance	1,942	1,940
Miscellaneous	135	529
Purchased services	7,931	7,943
Rent	10,019	11,724
Repairs and maintenance	9,416	10,311
Staff training	540	192
Staff travel	2,514	3,656
Utilities	<u>936</u>	<u>3,603</u>
	<u>134,659</u>	<u>145,947</u>
<b>Excess of revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>

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**CHOICES Association Inc.**  
**Schedule 6 - Revenue and Expenses**  
**Small Water Works Program**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Program revenue	<u>\$ 20,000</u>	<u>\$ 20,000</u>
<b>Expenses</b>		
Employee salaries	-	2,720
Repairs and maintenance	11,638	11,943
Supplies	-	52
Utilities	<u>8,362</u>	<u>5,285</u>
	<u>20,000</u>	<u>20,000</u>
<b>Excess of revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>

**CHOICES Association Inc.**  
**Schedule 7 - Revenue and Expenses**  
**Agency Programs**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Donations	\$ 2,180	\$ 95
Fundraising	8,461	2,196
Individual residential care	64,812	93,593
Interest income	3,045	2,092
Management fee	15,000	-
Memberships	-	645
Ministry minor capital subsidy	-	205,475
Rent	55,185	55,189
	<u>148,683</u>	<u>359,285</u>
<b>Expenses</b>		
Administration (Note 11)	-	6,372
Advertising and promotion	2,332	1,314
Amortization	154,378	712
Employee salaries	13,526	19,005
Employee benefits	2,052	2,168
Expense allocation (recovery)	595	(300)
Food and supplies	300	266
Interest expense	20,501	20,652
Minor capital purchases	-	205,475
Miscellaneous	7,398	7,784
Purchase services	31,074	42,254
Personal needs	2,379	3,105
Staff travel	1,761	2,284
	<u>236,296</u>	<u>311,091</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (87,613)</b>	<b>\$ 48,194</b>



**CHOICES Association Inc.**  
**Schedule 8 - Revenue and Expenses**  
**Ministry of Housing Program**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Provincial subsidy	\$ 84,760	\$ 84,756
Rent	13,080	14,170
	<u>97,840</u>	<u>98,926</u>
<b>Expenses</b>		
Administration (Note 11)	8,160	8,160
Amortization	28,351	27,328
Insurance	815	300
Interest expense	20,328	23,197
Repairs and maintenance	21,838	20,148
Utilities	15,600	17,045
	<u>95,092</u>	<u>96,178</u>
<b>Capital reserve allowance</b>	<u>2,748</u>	<u>2,748</u>
<b>Excess of revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>

**CHOICES Association Inc.**  
**Statement of Cash Flows**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenses for the year	\$ (87,613)	\$ (11,357)
Adjustments to reconcile excess of expenses over revenue to net cash provided by operating activities		
Amortization	196,637	84,930
Changes in non-cash working capital balances		
Accounts receivable	(26,108)	(15,953)
Inventory	13,308	8,214
Prepaid expenses	1,290	16,998
Accounts payable and accrued liabilities	61,426	(30,986)
Ministry of Housing capital reserve	2,748	3,013
	<u>161,688</u>	<u>54,859</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(125,711)	(35,604)
Proceeds from redemption of investments	35,961	-
	<u>(89,750)</u>	<u>(35,604)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(196,637)	(84,932)
Advances from related party loan	-	11,043
	<u>(196,637)</u>	<u>(73,889)</u>
<b>Decrease in cash during the year</b>	<u>(124,699)</u>	<u>(54,634)</u>
<b>Cash, beginning of year</b>	<u>327,260</u>	<u>381,894</u>
<b>Cash, end of year</b>	<u>\$ 202,561</u>	<u>\$ 327,260</u>

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

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## CHOICES Association Inc. Notes to Financial Statements

March 31, 2014

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### 1. Significant Accounting Policies

#### Purpose of the Association

CHOICES Association Inc. (the "Association") was incorporated without share capital on June 15, 1981, under the laws of the Province of Ontario and is a registered charity exempt from tax under the *Income Tax Act*.

The Association's mission is to actively pursue a continuum of service that will enhance the quality of life for individuals with developmental disabilities and to promote the worth and self-worth of the individuals they serve.

#### Basis of Presentation

The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations due to the following:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the funding agreement of the Ministry of Community and Social Services (the "MCSS"). The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations as follows:

- a) Allocations to the Ministry of Housing (the "MOH") capital reserve fund are made through the statement of revenue and expenses rather than the statement of funds;
- b) Amortization is provided on restricted capital assets in an amount equal to the reduction in the principal balance outstanding on mortgage funds in accordance with the Ministry of Housing guidelines. Similarly, amortization is provided on unrestricted capital assets equal to the reduction in principal balance on the outstanding mortgages;
- c) Major repairs, upgrades and expenditures and replacement of capital assets are either funded as an allocation from the MOH capital reserve fund, or expensed in the year of acquisition.

#### Capital Assets

Capital assets are stated at cost. Amortization is provided on restricted capital assets in an amount equal to the reduction in the principal balance outstanding on mortgage funds in accordance with the Ministry of Housing guidelines. Similarly, amortization is provided on unrestricted capital assets equal to the reduction in principal balance on the outstanding mortgages.

#### Inventories

Inventory is comprised of gift items and is valued at the lower of cost and estimated net realizable value with cost being determined on a first-in, first-out basis. Cost includes all direct expenditures and other appropriate costs incurred in bringing inventory to its present location and condition.

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## **CHOICES Association Inc.**

### **Notes to Financial Statements**

**March 31, 2014**

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#### **1. Significant Accounting Policies (Continued)**

##### **Revenue Recognition**

The Association follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

Revenue from unrestricted donations is recognized as donation revenue as it is received and is receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the Mulberry Bush and paper products sales is recorded as revenue as it is received.

Revenue from rent is recognized as revenue as it is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### **Use of Estimates**

The preparation of the financial statements in accordance with the financial reporting provisions established by the MCSS 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 revenue and expenditures during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known. Actual results could differ from management's best estimates as additional information becomes available in the future.

##### **Allocation of Central Administration Expenses**

The Association allocates central administration costs to programs in accordance with the MCSS financial policy directive. Central administration expenses (Note 11) which do not pertain specifically to a project are allocated based on management's best estimate on the service or effort expended.

##### **Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. Investments which include guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in the statement of revenue and expenses. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

##### **Contributed Goods and Services**

Volunteers contribute significant amounts of time to assist the Association in carrying out its objectives. The Association also, from time to time, receives donations of goods. Because of the difficulty in determining their fair value, contributed goods and services are not recognized in the financial statements.

## CHOICES Association Inc. Notes to Financial Statements

March 31, 2014

### 2. Investments

	2014	2013
Guaranteed Investment Certificates		
Royal Bank of Canada, bearing interest at 1.45% annually, maturing December 25, 2015	\$ 125,355	\$ -
Royal Bank of Canada, bearing interest at 1.00% annually, maturing March 20, 2014	-	35,605
	<u>\$ 125,355</u>	<u>\$ 35,605</u>

### 3. Capital Assets

#### Capital Assets (Unrestricted):

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and buildings				
Westfield Residence	\$ 780,420	\$ -	\$ 780,420	\$ -
Silver Court Residence	391,497	217,334	391,497	201,207
Mohawk Residence	745,074	531,313	745,074	379,154
	<u>\$ 1,916,991</u>	<u>\$ 748,647</u>	<u>\$ 1,916,991</u>	<u>\$ 580,361</u>

#### Capital Assets (Restricted):

Capital assets acquired through funds provided by the Government of Ontario consist of the following:

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and buildings				
Orkney Road Residence	\$ 416,741	\$ -	\$ 416,741	\$ -
Harvest Road Residence	473,986	-	473,986	-
Carlisle Residence	462,522	138,368	462,522	125,471
Rockton Residence	554,301	250,829	554,301	235,375
	<u>\$ 1,907,550</u>	<u>\$ 389,197</u>	<u>\$ 1,907,550</u>	<u>\$ 360,846</u>
Total net book value of land and buildings	<u>\$ 2,686,697</u>		<u>\$ 2,883,334</u>	



## CHOICES Association Inc. Notes to Financial Statements

March 31, 2014

### 3. Capital Assets (Continued)

The Association operates several group homes, the acquisition of which was funded by the Province of Ontario through its respective Ministries: the MCSS and the MOH. Accordingly, the Province of Ontario has registered its financial interest on title thereby restricting the disposition of these facilities. The Association is required under the Portfolio Operating Agreement, section 7.1, to obtain written consent prior to the disposition of these residences, to which consent may be withheld. In the event of such disposition, the excess of proceeds less any encumbrances against the respective project would be payable to the Province of Ontario through the respective Ministries. Due to fluctuations in market values and the uncertainty regarding the timing of any disposition, the extent of such liability is not determinable and has not been recorded in the financial statements. During the year, there were no dispositions which would require a liability to be recorded to MCSS or the MOH.

### 4. Long-term Debt

	2014	2013
Mortgage - \$4,057 monthly payments of principal and interest at 3.182% semi-annually, secured by Carlisle and Rockton Residences, maturing November 2014	\$ 627,626	\$ 655,977
Mortgage - \$2,511 monthly payments of principal and interest at 4.85% annually, secured by Mohawk Residence, matured June 2013	-	132,107
Mortgage - \$2,054 monthly payments of principal and interest at 4.66% annually, secured by Silver Court Residence, maturing February 2018	174,163	190,290
Mortgage - \$2,544 monthly payments of principal and interest at 4.66% semi-annually, secured by Mohawk Residence, maturing January 2018	213,761	233,813
	<u>1,015,550</u>	<u>1,212,187</u>
Less: Current portion	67,036	584,424
	<u>\$ 948,514</u>	<u>\$ 627,763</u>

Principal repayments for the next five years and thereafter are as follows:

2015	\$ 67,036
2016	69,781
2017	72,642
2018	301,486
2019	32,126
Thereafter	472,479
	<u>\$ 1,015,550</u>

The mortgage secured by Carlisle and Rockton residences maturing November 2014 has been confirmed by MOH that it will be refinanced; therefore, the current portion reflects the monthly payments of principal.

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## CHOICES Association Inc. Notes to Financial Statements

March 31, 2014

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### 5. Ministry of Housing Capital Reserve

The Ministry of Housing Capital Reserve Fund has been established to provide for the future major expenditures of the residences. The Association increases this reserve each year by \$2,748.

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### 6. Internally Restricted Reserve Fund

On April 24, 2012, the Board of Directors resolved to create an Internally Restricted Reserve Fund with proceeds from the sale of the Hildegard residence. Funds in the amount of \$123,000 are restricted for use for future real estate purchases or as directed by the Board of Directors.

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### 7. Economic Interest

The Association has an economic interest in CHOICES Foundation Inc. (the "Foundation"). The objective of the Foundation is to pursue fundraising activities, which may benefit the Association. The net assets reported by the Foundation are \$822,416 (2013 - \$800,145).

During the year, the Association paid the Foundation building and vehicle rental amounts as follows:

	2014	2013
Purchased services - Dennis Street	\$ 24,564	\$ 24,564
Purchased services - Meaghan Street	14,241	14,241
Vehicle operation - Silver	4,776	4,776
Vehicle operation - Big Win	3,864	3,864

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### 8. Commitments and Contingencies

The future annual minimum lease payments required under various operating leases are as follows:

2015	\$ 86,903
2016	10,168
2017	668

There are certain legal claims outstanding that have arisen in the normal course of business. Although the final outcomes cannot be predicted with certainty, the Association, based upon a thorough review of the facts and advice of counsel, believes that the ultimate disposition of these issues will not have a materially adverse effect on the Association's financial position or results of operations.

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## CHOICES Association Inc. Notes to Financial Statements

March 31, 2014

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### 9. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

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### 10. Financial Instrument Risks

#### **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 Association is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Association is subject to credit risk through its accounts receivable. This risk has not changed from the prior year.

#### **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 Association is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the fair value of its long-term debt. This risk has not changed from the prior year.

#### **Liquidity Risk**

Liquidity risk is the risk that the Association encounters difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Association will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the Association's accounts payable and accrued liabilities and long-term debt. This risk has not changed from the prior year.

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**CHOICES Association Inc.**  
**Notes to Financial Statements**

**March 31, 2014**

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**11. Administrative Expenses**

The Association's administrative expenses are allocated based on project costs which are based on management's best estimate on the service or effort expended, as follows:

	<u>2014</u>	<u>2013</u>
<b>Expenses</b>		
Employee salaries	\$ 374,717	\$ 291,256
Employee benefits	75,181	76,689
Insurance	4,194	4,191
Interest and bank charges	-	2,720
Miscellaneous	843	2,341
Purchased services	41,656	51,333
Rent	35,553	34,160
Repairs and maintenance	8,708	8,033
Staff training	537	1,427
Staff travel	2,059	1,214
Supplies	9,593	4,112
Transition costs	-	23,751
Utilities	5,772	3,172
	<u>\$ 558,813</u>	<u>\$ 504,399</u>

**Allocation to programs**

Day Programs	\$ 78,723	\$ 58,104
Family Home Program	34,490	49,444
Supported Independent Living Program	17,953	11,442
Group Living Support Program	413,705	358,508
Passport Program	5,782	12,369
Agency Programs	-	6,372
Ministry of Housing Program	8,160	8,160
	<u>\$ 558,813</u>	<u>\$ 504,399</u>