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FILE COPY

**COMMUNITY INCLUSIONS LTD.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**



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COMMUNITY INCLUSIONS LTD.

INDEX

MARCH 31, 2016

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**Sharon R. O'Halloran**

**C.P.A., Inc.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Directors of:  
**Community Inclusions Ltd.:**

I have audited the accompanying financial statements of Community Inclusions Ltd., which comprise the statement of financial position as at March 31, 2016 the statement of operations, the statement of changes in net assets and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as Management determines is necessary to enable the 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 audit opinion.

### **Basis for qualified opinion**

In common with many not-for-profit organizations, Community Inclusions Ltd., derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of those revenues was limited to the amounts recorded in the records of the Organization and I was not able to determine whether any adjustments might be necessary to fundraising and donation revenue, the statement of operations, assets and net asset balances.

### **Opinion**

In my opinion, except for the effect of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly in all material respects, the financial position of the Community Inclusions Ltd. as at March 31, 2016, and the results of operations and its financial performance for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

  
Sharon R. O'Halloran, C.P.A., Inc.

June 11<sup>th</sup>, 2016  
Summerside, PE

**COMMUNITY INCLUSIONS LTD.  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2016**

**ASSETS**

	General Fund \$	Capital Asset Fund \$	Total 2016 \$	Total 2015 \$
<b>CURRENT ASSETS</b>				
Cash and bank	129,126	-	129,126	85,393
Receivables (Note 4)	97,612	68,952	166,564	54,407
Inventory (Note 2)	5,000	-	5,000	1,400
Prepaid expenses	664	-	664	541
	<b>232,402</b>	<b>68,952</b>	<b>301,354</b>	<b>141,741</b>
<b>CAPITAL ASSETS</b> (Notes 2 and 5)	-	<b>1,599,815</b>	<b>1,599,815</b>	<b>1,408,052</b>
	<b>232,402</b>	<b>1,668,767</b>	<b>1,901,169</b>	<b>1,549,793</b>

**LIABILITIES**

<b>CURRENT LIABILITIES</b>				
Bank indebtedness (Note 6)	-	-	-	-
Payables and accruals	50,876	-	50,876	49,624
Payroll and deductions payable (Note 10)	60,335	-	60,335	47,825
Unearned grant revenue (Note 20)	215,150	-	215,150	-
Unearned revenue	20,892	-	20,892	12,981
Current portion of long term debt (Note 7)	-	20,776	20,776	18,277
	<b>347,253</b>	<b>20,776</b>	<b>368,029</b>	<b>128,707</b>
<b>DAMAGE DEPOSITS HELD IN TRUST</b>	1,513	-	1,513	964
<b>LONG TERM DEBT</b> (Note 7)	-	139,440	139,440	129,865
<b>PROMISSORY NOTE PAYABLE</b> (Note 8)	-	75,000	75,000	75,000
<b>PAYROLL AND DEDUCTIONS PAYABLE</b> (Notes 10 and 12)	103,673	-	103,673	101,711
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (Note 11)	-	987,832	987,832	797,637
	<b>452,439</b>	<b>1,223,048</b>	<b>1,675,487</b>	<b>1,233,885</b>

**NET ASSETS**

<b>INVESTED IN CAPITAL ASSETS</b>	-	445,719	445,719	387,273
<b>UNRESTRICTED NET ASSETS</b>	(220,037)	-	(220,037)	(71,365)
<b>NET ASSETS</b>	(220,037)	445,719	225,682	315,908
	<b>232,402</b>	<b>1,668,767</b>	<b>1,901,169</b>	<b>1,549,793</b>

Approved on behalf of the Board:

 Director

 Director

The accompanying notes are an integral part of these statements.

**COMMUNITY INCLUSIONS LTD.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	Budget	General	Capital	Total	Total
	\$	Fund	Asset fund	2016	2015
	\$	\$	\$	\$	\$
<b>REVENUE</b>					
<b>Province of Prince Edward Island (Note 18)</b>					
<b>Community Services, Seniors and Labor</b>					
Core funding	812,300	833,300	-	833,300	812,300
Financial Assistance and Disability Support	155,176	152,098	-	152,098	155,171
One time supplement	-	-	-	-	75,000
<b>Skills PEI</b>					
Employment counsellor	104,331	81,821	-	81,821	89,201
Rent Employment office	-	4,800	-	4,800	4,800
Skills PEI - Other	-	4,495	-	4,495	4,969
<b>Rural Jobs Initiative</b>					
Property tax grant	-	-	1,669	1,669	1,669
<b>Government of Canada (Note 18)</b>					
Canada Student Summer Jobs	-	4,363	-	4,363	3,819
<b>Total: Government funding</b>	<b>1,071,807</b>	<b>1,080,877</b>	<b>1,669</b>	<b>1,082,546</b>	<b>1,154,270</b>
Respite and one-on-one	75,934	99,136	-	99,136	96,877
Baking and lunch programs	85,580	80,977	-	80,977	73,819
Amortization of deferred capital contributions	-	-	53,091	53,091	39,440
Rent - O'Leary	25,968	30,815	-	30,815	25,226
Cleaning	5,820	5,945	-	5,945	6,407
Donations	2,000	3,989	-	3,989	8,028
Transportation	4,342	3,076	-	3,076	3,931
Woodworking and buttons	-	2,695	-	2,695	1,661
Sundry	-	162	-	162	181
	<b>1,271,451</b>	<b>1,307,672</b>	<b>54,760</b>	<b>1,362,432</b>	<b>1,409,840</b>
<b>ADMINISTRATIVE EXPENDITURES</b>					
Wages and benefits	1,043,014	1,044,130	-	1,044,130	1,061,665
Amortization	-	-	94,153	94,153	73,693
Mileage and travel	69,472	66,013	-	66,013	57,211
Programming supplies - bakery	46,218	45,768	-	45,768	31,444
Repairs and maintenance	16,579	-	32,967	32,967	27,370
Rent and property tax	22,961	-	29,349	29,349	27,845
Groceries	31,160	25,909	-	25,909	27,556
Electricity	22,572	-	22,194	22,194	22,684
Trainee allowances	2,421	15,905	-	15,905	15,724
Heating and propane	15,708	-	15,463	15,463	24,229
Insurance	7,185	-	10,929	10,929	7,867
Telecommunications	10,404	10,177	-	10,177	10,135
Professional fees	4,800	8,505	-	8,505	5,686
Office	7,404	6,599	-	6,599	6,740
Interest on long term debt	23,964	-	6,051	6,051	7,517
Household supplies	15,000	4,876	-	4,876	10,127
Cable television	3,596	4,507	-	4,507	3,593
Sundry	-	3,137	-	3,137	872
Advertising and donations	3,174	1,915	-	1,915	2,015
Staff training	-	1,691	-	1,691	2,162
Board allowances and meetings	4,155	1,469	-	1,469	2,459
Bank charges and interest	1,058	952	-	952	677
Bad debt expense (recovery)	-	-	-	-	627
Equipment	30,000	-	-	-	-
	<b>1,380,845</b>	<b>1,241,552</b>	<b>211,107</b>	<b>1,452,659</b>	<b>1,429,899</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>					
<b>(EXPENDITURES OVER REVENUE)</b>	<b>(109,394)</b>	<b>66,120</b>	<b>(156,347)</b>	<b>(90,227)</b>	<b>(20,059)</b>

The accompanying notes are an integral part of these statements.

**COMMUNITY INCLUSIONS LTD.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**MARCH 31, 2016**

	Unrestricted \$	Invested in Capital Assets \$	2016 Total \$	2015 Total \$
<b>NET ASSETS, BEGINNING OF YEAR</b>	(71,365)	387,273	315,908	335,968
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	66,120	(156,347)	(90,227)	(20,059)
TRANSFER TO CAPITAL ASSET FUND	(214,792)	214,792	-	-
<b>NET ASSETS, END OF YEAR</b>	<b>(220,037)</b>	<b>445,719</b>	<b>225,682</b>	<b>315,908</b>

The accompanying notes are an integral part of these statements.

**COMMUNITY INCLUSIONS LTD.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	General Fund \$	Capital Asset Fund \$	Total 2016 \$	Total 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of revenues over expenditures: (expenditures over revenues)	66,120	(156,347)	(90,227)	(20,059)
Items not requiring an outlay of funds				
Amortization of capital assets	-	94,153	94,153	73,693
Amortization of deferred capital contributions	-	(53,091)	(53,091)	(39,440)
	66,120	(115,285)	(49,165)	14,194
Changes in non cash working capital				
Accounts receivable	(9,143)	-	(9,143)	22,921
Grants receivable	(63,723)	-	(63,723)	(8,225)
HST receivable	(39,292)	-	(39,292)	16,657
Inventory	(3,600)	-	(3,600)	-
Prepaid expenses	(123)	-	(123)	1,076
Payables and accruals	1,252	-	1,252	7,111
Payroll and deductions payable	12,510	-	12,510	14,603
	(35,999)	(115,285)	(151,284)	68,337
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of				
Land	-	-	-	(32,806)
Buildings	-	(210,650)	(210,650)	(69,226)
Equipment	-	(58,690)	(58,690)	(6,328)
Pavement	-	(16,575)	(16,575)	-
Computer equipment	-	-	-	(550)
	-	(285,915)	(285,915)	(108,910)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in damage deposits held in trust	549	-	549	277
Increase in deferred capital contributions	-	243,286	243,286	48,275
Increase in promissory note payable	-	-	-	75,000
Payroll and deductions payable	1,962	-	1,962	11,467
Increase in unearned grant revenue	215,150	-	215,150	-
Increase (decrease) in unearned revenue	7,911	-	7,911	12,981
Proceeds (repayment) of long term debt	-	12,074	12,074	(16,405)
	225,572	255,360	480,932	131,595
<b>TRANSFER BETWEEN FUNDS</b>	(145,840)	145,840	-	-
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	43,733	-	43,733	91,022
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	85,393	-	85,393	(5,629)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	129,126	-	129,126	85,393
<b>CASH AND CASH EQUIVALENTS CONSIST OF</b>				
Cash and bank	129,126	-	129,126	85,393
Bank overdraft	-	-	-	-
	129,126	-	129,126	85,393
<b>SUPPLEMENTAL INFORMATION</b>				
Interest and bank charges paid during the year	952	-	952	677
Interest on long term debt	-	6,606	6,606	7,558

The accompanying notes are an integral part of these statements.



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**COMMUNITY INCLUSIONS LTD.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

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## **1. PURPOSE OF THE ORGANIZATION**

Community Inclusions Ltd., is incorporated (without share capital) under the laws of Prince Edward Island. It is a not-for-profit organization which provides employment, residential and support services to mentally challenged individuals in West Prince. It is primarily funded by the Province of Prince Edward Island. It is not subject to income taxes on its earnings due to its not-for-profit status.

Community Inclusions Ltd., is a not-for-profit organization in West Prince that provides supports to adults aged (18 - 65) with intellectual disabilities. Services range from residential, employment, supportive and recreational, and include the following objectives.

### **The objectives of the Organization are:**

#### **Vision**

Communities where people with intellectual disabilities contribute to and are included in all aspects of community life.

#### **Goal**

To provide opportunities and services to support adults with intellectual disabilities in their chosen endeavours.

#### **Values**

Communities as a place of welcome.

Community works together as a team.

People with intellectual disabilities have rights and responsibilities.

An aware community is one of integration and friendship.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies.

### **Use of Estimates**

When preparing financial statements according to ASNPO, we make estimates and assumptions relating to:

- \* Reported amounts of revenues and expenditures;
- \* Reported amounts of assets and liabilities; and
- \* Disclosure of contingent assets and liabilities.

Management's assumptions are based on a number of factors including historical experience, current events and actions that the Organization may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions. We use estimates accounting for certain items such as useful lives of capital assets and impairment of long lived assets accrued liabilities, employee future benefits and disclosure of contingencies.

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**COMMUNITY INCLUSIONS LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

**Fund Accounting:**

Community Inclusions Ltd. follows the restricted fund method of accounting for contributions.

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 expenditures related to the Organization's capital assets.

**Restricted Funds** are recognized as revenue in the year in which the related expenditures are incurred.

**Capital Assets:**

Capital assets are recorded at cost and amortization of capital assets is recorded using the declining balance method at the rates shown in Note 5.

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

**Deferred capital contributions:**

Capital asset grants are accounted for as deferred capital contributions and amortized on the same basis as the related capital assets.

**Revenue Recognition:**

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenditures are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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.

**Contributed Services:**

A number of volunteers contribute a significant amount of their time each year to the Organization. Because of the difficulty of determining the fair value, contributed services are not recognized in these financial statements.

**Inventory:**

Inventory is measured at the estimated lower of cost and net realizable value.

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**COMMUNITY INCLUSIONS LTD.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

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**3. FINANCIAL INSTRUMENTS**

Our financial instruments consist of cash and bank (indebtedness), receivables, payables and accruals, payroll and deductions payable, damage deposits held in trust, promissory note payable and long term debt. Unless otherwise noted, it is our opinion that the Organization is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

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

**Credit Risk**

Our credit risk consists principally of cash and cash equivalents, investments and receivables. We maintained cash and cash equivalents with reputable and major financial institutions. Credit risk from customers not paying receivables is not considered significant.

**Currency Risk**

The Organization does not have any currency risks as little or no purchases or revenues are made or received in a foreign currency.

**Interest Rate Risk**

We are exposed to interest risk with respect to the following financial instruments:

- \* Cash and cash equivalents
- \* Bank indebtedness
- \* Long term debt

There are no derivative financial instruments to mitigate these risks.

**Liquidity Risk**

The Organization is dependent on the receipt of funds from Federal and Provincial Government grants to enable the organization to pay its liabilities as they become due.

**COMMUNITY INCLUSIONS LTD.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

4. RECEIVABLES	2016	2015
	\$	\$
Grants receivable - Maple House Bakery	68,952	-
HST receivable	54,092	14,800
Accounts receivable - trade (net of doubtful accounts)	36,001	26,859
Grants receivable - Skills PEI	7,519	12,748
	<u>166,564</u>	<u>54,407</u>

**5. CAPITAL ASSETS**

	RATE	COST	ACCUMULATED AMORTIZATION	2016 NET BOOK VALUE	2015 NET BOOK VALUE
	%	\$	\$	\$	\$
Land	-	131,352	-	131,352	131,352
Buildings	5	1,717,438	352,915	1,364,523	1,225,690
Pavement	8	31,694	7,278	24,416	9,964
Equipment	20	181,918	103,087	78,831	39,848
Computer equipment	55	5,233	4,539	693	1,198
<b>Total: Capital Assets</b>		<u>2,067,634</u>	<u>467,819</u>	<u>1,599,815</u>	<u>1,408,052</u>

**6. BANK INDEBTEDNESS**

The Organization has an authorized operating line of credit of \$50,000 of which \$50,000 was unused (including outstanding cheques) at March 31, 2016 (\$50,000 was unused at the end of March 31, 2015). The rate is prime plus 3% and is due annually. As security, the Organization has provided a general security agreement. In addition, the Organization has agreed to the following covenants:

- \* To promptly pay and satisfy the obligations as they become due;
- \* To defend the collateral for the benefit of the Credit Union and all other persons;
- \* To maintain appropriate insurance;
- \* To maintain its' corporate existence;
- \* To provide a copy of the audited financial statements within 120 days of the year end; and
- \* To comply with all restrictions outlined in the covenants and general security agreement.

**COMMUNITY INCLUSIONS LTD.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

**7. LONG TERM DEBT**

	<u>2016</u>	<u>2015</u>
	\$	\$
4.25% West Prince Ventures Ltd., mortgage, repayable in monthly installments of \$1,335.00, including interest and principal. The mortgage is amortized to 2020. It is secured by land and building and a general security agreement.	63,272	76,522
Floating interest West Prince Ventures Ltd., mortgage repayable in monthly installments of \$662.00, including interest and principal. (4.7% at year end). The mortgage matures in 2020 and is amortized to 2027. It is secured by present and future property and a general security agreement.	66,944	71,620
3.89% Évangéline Credit Union Ltd., mortgage, repayable in monthly installments of \$301.73 including interest and principal. The mortgage matures in 2026 and is amortized to 2026. It is secured by land and building.	30,000	-
	<u>160,216</u>	<u>148,142</u>
Less: Current portion	<u>20,776</u>	<u>18,277</u>
	<u><u>139,440</u></u>	<u><u>129,865</u></u>

Assuming the mortgage is renewed under the same conditions, principal payments are estimated to be:

	<u>\$</u>
March 31, 2017	20,776
March 31, 2018	21,689
March 31, 2019	22,664
March 31, 2020	23,683
March 31, 2021	13,900

**West Prince Ventures Ltd., mortgage covenants:**

- \* To defend the Collateral against the claims and demands of all other parties claiming the same interest there in;
- \* To notify the lender of any change in the information relating to any significant acquisition of Collateral, the details of any claims or litigation, and loss or damage to the Collateral, any default by any account and the return to or repossession by Community Inclusions Ltd. of collateral;
- \* To keep collateral in good condition and repair and not to use collateral in violation of the provisions of the security agreement;
- \* To do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters and things as may be reasonably expected from West Prince Ventures Ltd., and to pay all costs for searches and filings in connection therewith;
- \* To pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of Community Inclusions Ltd., and collateral as the same become due and payable;
- \* To insure collateral for such periods against loss or damage from fire and other such risks;
- \* To prevent collateral, save inventory sold or leased as permitted hereby, from being or becoming an accession to other property not covered by the security agreement;

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**COMMUNITY INCLUSIONS LTD.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

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**7. LONG TERM DEBT (continued)**

**West Prince Ventures Ltd., mortgage covenants (continued)**

- \* To carry on and conduct the business in a proper and efficient manner and so as to protect and preserve the collateral and to keep, in accordance with accounting standards for not-for-profit organizations, consistently applied, proper books of account for the organization as well as accurate and complete records concerning collateral, and mark any and all such records and collateral at the Lender's request so as to indicate the security interest: and
- \* To deliver to the Lender from time to time promptly and upon request:
  - \* all Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral
  - \* all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same,
  - \* all financial statements prepared by or for Community Inclusions Ltd.,
  - \* all policies and certificates of insurance relating to collateral, and
  - \* such information concerning the collateral, Community Inclusions Ltd.'s business and affairs as the Lender may reasonably request.

**Évangéline-Central Credit Union, mortgage covenants**

- \* For consideration and as security for the payment and performance of Obligations referred to in Section 3 here of the Member, subject to the exceptions set out in Section 2, hereby mortgages, charges, assigns, pledges, grants and transfers to the Credit Union a security interest in all the Member's right, title and interest in and to all presently owned or held and all after acquired or held personal property, assets and undertakings of the Member (other than real property), tangible and intangible, of whatever nature or kind and wheresoever situate or in respect of which the Member now or hereafter has any right, title or interest and all proceeds thereof and there from (all of which is herein after collectively called the "Collateral") including, without limiting the generality of the foregoing:
  - \* Goods: all goods and equipment, including, without limiting the generality of the foregoing, machinery, tools, fixtures, furniture, furnishings, chattels, motor vehicles, vessels and other tangible personal property that is not inventory including consumer goods, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing including, without limitation,
  - \* Inventory: all inventory of the Member, including, without limiting the generality of the foregoing, goods acquired or held for sale or lease or that have been leased or furnished or consigned to the Member or to be furnished, leased or consigned to the Member under contracts of a rental service, all raw materials, work in progress, finished goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing;
  - \* Accounts: all debts, accounts, claims, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Member and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, monies and choses in action or any part thereof.

**COMMUNITY INCLUSIONS LTD.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

**7. LONG TERM DEBT (continued)**

**Evangeline-Central Credit Union. mortgage covenants (continued)**

- \* The Member covenants that at all times while this Security Agreement remains in effect the Member will:
  - \* promptly pay and satisfy the Obligations as they become due or are demanded;
  - \* defend the title to the Collateral for the benefit of the Credit Union against the claims and demands of all persons;
  - \* permit the Credit Union and its representatives, at all reasonable times, access to all its property, assets and undertakings to all its books of account and records for the purpose of inspection, including without limitation the taking of extracts and copies and render all assistance necessary for such inspection;
  - \* all financial statements prepared by or for Community Inclusions Ltd.,
  - \* all policies and certificates of insurance relating to Collateral, and
  - \* such information concerning the Collateral, Community Inclusions Ltd.'s business and affairs as the Lender may reasonably request.

**8. PROMISSORY NOTE PAYABLE**

	<b>2016</b>	<b>2015</b>
	<u>\$</u>	<u>\$</u>
Non interest bearing promissory note repayable to the Prince Edward Island Liquor Control Commission. Payment to be made upon the sale of another existing asset owned by Community Inclusions Ltd. Secured by a collateral mortgage from the purchaser, Community Inclusions Ltd., in favour of the Vendor representing a first charge against the property.	<b>75,000</b>	<b>75,000</b>

**9. INTERFUND TRANSFERS**

In 2016, the Organization's board of directors transferred \$214,792 from the General fund to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions and long term debt principal and interest payments as well as property taxes, repairs and maintenance, heating, insurance and electricity.

**10. PAYROLL AND DEDUCTIONS PAYABLE**

	<b>2016</b>	<b>2015</b>
	<u>\$</u>	<u>\$</u>
<b>Current</b>		
Accrued wages payable	<b>30,254</b>	24,259
Payroll deductions payable	<b>22,807</b>	19,600
Accrued vacation payable	<b>2,813</b>	2,313
Accrued pension receivable	<b>2,660</b>	-
Workers Compensation payable	<b>971</b>	875
Due to staff fund	<b>706</b>	778
Group insurance payable	<b>124</b>	-
	<u><b>60,335</b></u>	<u>47,825</u>
<b>Long term</b>		
Company pension (severance pay) (Note 12)	<b>103,673</b>	101,711
<b>Total: Payroll and deductions payable</b>	<u><b>164,007</b></u>	<u>149,536</u>

**COMMUNITY INCLUSIONS LTD.  
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**11. DEFERRED CAPITAL CONTRIBUTIONS**

	Alberton Project \$	O'Leary Project \$	Maple House Project \$	2016 Total \$	2015 Total \$
<b>Grants received, beginning of year</b>	370,977	560,068	48,275	979,319	931,044
Capital grants received/receivable	-	-	243,285	243,285	48,275
Accumulated amortization	(98,275)	(120,875)	(14,578)	(233,728)	(181,682)
<b>Balance, end of year</b>	<b>272,702</b>	<b>439,193</b>	<b>276,982</b>	<b>988,876</b>	<b>797,637</b>

**12. SEVERANCE PAY**

Under the terms of a collective agreement with its' employees, the Organization is liable for severance pay under the following terms and conditions:

- \* Employees with ten or more years of continuous employment are entitled to one week of pay for each year of service where the employee dies, is terminated because of layoff or retires upon reaching the age of 55.
- \* Organization's policy is to record the liability for severance pay for all employees assuming they will stay employed until they qualify.
- \* Severance pay payable, recorded in the financial statements is as follows:

2016 \$	2015 \$
<b>103,673</b>	<b>101,711</b>

**13. COMPANY PENSION**

The Organization has a defined contribution plan available to most of its' employees. The total plan expense for its' defined contribution is as follows:

	2016 \$	2015 \$
<b>Pension plan expense</b>	<b>14,446</b>	<b>23,086</b>

The market value of the pension as at March 31, 2016 is \$342,398.88 ( 2015 - \$323,293.31).

These funds are held and managed by The Credential. No amounts related to this fund are recognized in these financial statements.



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**14. CONTINGENT LIABILITIES**

**SICK PAY PAYABLE**

Under the terms of a collective agreement, employees can accumulate sick time at the rate of 9.375 hours for each 162.5 hours worked to a maximum of 1,000 hours. Sick hours accumulated and unused by employees at March 31, 2016 total 3,899 with a potential payroll cost of \$87,056.

It is not known whether employees would actually use the sick hours because the use depends on future possible events. Therefore, there has been no accrual in the accounting records for sick pay payable.

There is no entitlement to unused sick pay, upon a termination of employment due to retirement, voluntary or involuntary dismissal or death.

**LIAIBILITY FOR THE GOVERNMENT GRANTS ON THE EXPANSION OF O'LEARY PROPERTY**

On the 25th of May, 2011, Community Inclusions Ltd., (The Developer) signed a promissory note in favour of the Prince Edward Island Housing Corporation (PEIHC) with the amount equal to the amount of the grant. The promissory note and the collateral mortgage shall be for a term of ten years and shall be forgivable upon satisfaction of any terms and conditions contained in the Promissory Note, and upon satisfaction of the following terms and conditions of the Agreement:

- \* In the event of disposition of the property, or any part thereof, The Developer, will require the purchaser or recipient to assume the mortgage and also the Agreement as a condition of the sale or disposition.
- \* No rent increase shall be implemented until one year after the first unit is rented.
- \* The Developer agrees that the units shall be rented only to those persons with low to moderate household incomes as defined by PEIHC and the Province of Prince Edward Island, during the duration of the Agreement.
- \* The Developer shall exercise due diligence in the management of the property.
- \* The Developer shall ensure that rental units shall be rented appropriately in terms of optimizing rental space and complying with the Rental Policies of the Canada-PEI Affordable Housing Agreement.
- \* The Developer acknowledges that the target population for tenants for the bedroom apartments is persons with disabilities and will not be rented to any other demographic without written consent of the PEIHC.
- \* The Developer agrees that all rental policies established by IRAC shall be adhered to in the rental and maintenance of the units.
- \* The Developer agrees that all of the units shall meet or exceed the square footage requirements for rental accommodation as follows:
  - a one bedroom unit shall contain not less than 650 square feet;
  - a two bedroom unit shall contain not less than 850 square feet; and
  - a three bedroom (townhouse or roadhouse) unit shall contain not less than 1,000 square feet
- \* Subject to the termination clause, the term of the Agreement shall be ten years, calculated from the day and year first written.

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**COMMUNITY INCLUSIONS LTD.  
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**14. CONTINGENT LIABILITIES (continued)**

**LIAIBILITY FOR THE GOVERNMENT GRANTS ON THE EXPANSION OF ALBERTON PROPERTY**

On the 14th of September, 2009, Community Inclusions Ltd., (The Organization) signed a promissory note in favour of the Prince Edward Island Housing Corporation (PEIHC) with the amount equal to the amount of the grant. The promissory note and the collateral mortgage shall be for a term of ten years and shall be forgivable upon satisfaction of any terms and conditions contained in the Promissory Note, and upon satisfaction of the following terms and conditions of the Agreement:

- \* In the event of disposition of the property, or any part thereof, The Organization, will require the purchaser or recipient to assume the mortgage and also the Agreement as a condition of the sale or disposition.
- \* The Organization shall exercise due diligence in the management of the property.
- \* The Organization will pay all property taxes and annual insurance premiums on an amount of not less than \$200,000.
- \* Upon default of covenants, PEIHC will have possession of the said property.
- \* The Organization shall comply with the rental policies of the Canada- PEI Affordable Housing Agreement and other restrictions as set out in Schedule "D" of the agreement.

**15. COMPARATIVE FIGURES**

Comparative figures have been reclassified to conform with the financial statement presentation adopted for 2016.

**16. LEASE COMMITMENTS**

On October 21, 2011, Community Inclusions Ltd., entered into a rental agreement for the group home property located at 267 Haywood Road, Tignish PE. The lease is an open ended lease and will remain into effect until such time as it is replaced by a further written lease. Monthly lease payments are \$300.

Assuming the lease remains in effect for the next five years, the Organization's financial commitment annually is as follows:

	\$
2017	3,600
2018	3,600
2019	3,600
2020	3,600
2021	3,600

**17. ECONOMIC DEPENDENCE**

The Organization is economically dependent on the various levels of government for operations and capital expenditures. Loss of funding from these sources would have a significant impact on the Organization's ability to operate as a going concern.

**COMMUNITY INCLUSIONS LTD.  
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**18. GOVERNMENT FUNDING**

The Organization receives various grants from the Federal and Provincial Government to assist with operational and capital expenditures. These grants are included in revenue or set up as deferred capital contributions and are amortized over the same period as the related capital asset acquired.

**OPERATIONAL GOVERNMENT FUNDING**

	General Fund \$	Capital asset Fund \$	Total 2016 \$	Total 2015 \$
<b>PROVINCIAL</b>				
<b>Province of Prince Edward Island -</b>				
Community Services and Seniors and Labor - Core funding	833,300	-	833,300	812,300
Community Services and Seniors and Labor - Financial Assistance and Disability Support	152,098	-	152,098	155,171
Community Services and Seniors and Labor - One time supplement	-	-	-	75,000
Skills PEI - Employment counsellor (LMDA agreement)	81,821	-	81,821	89,201
Skills PEI - Rent Employment Office	4,800	-	4,800	4,800
Skills PEI - Employ PEI	4,495	-	4,495	4,969
Employment Development Agency - Rural Jobs Initiative	-	-	-	7,341
Donation in lieu of property taxes	-	1,669	1,669	1,669
<b>FEDERAL</b>				
<b>Government of Canada -</b>				
Canada Summer Students	4,363	-	4,363	3,819
<b>TOTAL: OPERATIONAL FUNDING</b>	<b>1,080,877</b>	<b>1,669</b>	<b>1,082,546</b>	<b>1,154,270</b>
	<b>% OF TOTAL REVENUE</b>		<b>79%</b>	<b>82%</b>

**CAPITAL EXPENDITURES GOVERNMENT FUNDING**

<b>FEDERAL</b>				
<b>Government of Canada -</b>				
Atlantic Canada Opportunities Agency			174,522	-
<b>PROVINCIAL</b>				
<b>Province of Prince Edward Island -</b>				
Rural development Prince Edward Island			63,398	-
Skills PEI			5,365	48,275
<b>TOTAL: CAPITAL FUNDING</b>			<b>243,285</b>	<b>48,275</b>
<b>TOTAL: GOVERNMENT FUNDING FOR THE YEAR</b>			<b>1,325,831</b>	<b>1,202,545</b>

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**COMMUNITY INCLUSIONS LTD.**  
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**19. COMMITMENTS**

The Organization had committed to the renovation and use of land and building acquired from the Government of Canada for \$1 in Tignish, Prince Edward Island in 2015. The Organization is to fund the renovation at an approximate cost of \$33,500 and then to provide housing for individuals who are at a potential for being homeless. Community Inclusions Ltd., is required to pay all future costs associated with the upgrade and operation of the building. In addition the Organization has committed to providing a specific service to the Community and will issue annual reports within 120 days of the year end date to the appropriate government department for the next 15 years. If Community Inclusions Ltd., cannot comply for any reason, or changes the use of the building, then ownership will be transferred back to the Government of Canada. The Organization has four to six months to secure operational funding from the various levels of Federal and Provincial Governments. The commitment obligations have been extended until such time that Community Inclusions Ltd., can meet its' obligations.

**20. UNEARNED GRANT REVENUE**

	2016	2015
	\$	\$
<b>Province of Prince Edward Island - Community Services, Seniors and Labor</b> (Funding for April - June 2016)	<u><b>215,150</b></u>	<u><b>-</b></u>