THE ZAJAC NORGATE HOUSE JOINT VENTURE

FINANCIAL STATEMENTS

31 DECEMBER 2022

THE ZAJAC NORGATE HOUSE JOINT VENTURE
Financial Statements
For the Year Ended 31 December 2022

Contents

Rolfe Benson
— Chartered Professional Accountants —

INDEPENDENT AUDITORS' REPORT

To the Venturers of,
The Zajac Norgate House Joint Venture

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Zajac Norgate House Joint Venture (the Joint Venture), which comprise the statement of financial position as at 31 December 2022, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Joint Venture as at 31 December 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Joint Venture in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Joint Venture's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Joint Venture or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT - Continued

Those charged with governance are responsible for overseeing the Joint Venture's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Joint Venture's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Joint Venture's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Joint Venture to cease to continue as a going concern.

Rolfe Benson
— Chartered Professional Accountants —

INDEPENDENT AUDITORS' REPORT - Continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
16 November 2023

THE ZAJAC NORGATE HOUSE JOINT VENTURE
Statement of Financial Position
31 December 2022

		2022		2021
Assets				
Current				
Cash and term deposits	**$**	**85,463**	$	123,077
Accounts receivable		**12,747**		21,829
Prepaid expenses		**86,870**		72,599
		185,080		217,505
Cash and term deposits restricted for capital replacement reserve (Note 7)		**476,579**		450,402
Tangible capital assets (Note 4)		**1,579,356**		1,676,573
	$	**2,241,015**	$	2,344,480
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 12)	**$**	**36,280**	$	33,711
Deferred rental revenue		**4,342**		4,801
Security deposits		**23,373**		23,501
Mortgage payable, current portion (Note 5)		**125,700**		121,500
		189,695		183,513
Mortgage payable (Note 5)		**1,681,701**		1,807,306
Deferred capital contribution (Note 6)		**87,450**		92,750
		1,958,846		2,083,569
Commitments (Note 11)				
Net Assets (Deficiency)				
Capital replacement reserve (Note 7)		**476,579**		450,402
Invested in tangible capital assets (Note 8)		**(296,932)**		(326,419)
Unrestricted		**102,522**		136,928
		282,169		260,911
	$	**2,241,015**	$	2,344,480

APPROVED ON BEHALF OF THE JOINT VENTURE:

_____________________ Director — The Mel Jr. & Marty Zajac Foundation

_____________________ Director — Norgate House Society

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

THE ZAJAC NORGATE HOUSE JOINT VENTURE
Statement of Changes in Net Assets
For the Year Ended 31 December 2022

	Capital Replacement Reserve	Investment in Tangible Capital Assets	Unrestricted	**2022**	2021
	$ (Note 7)	$ (Note 8)	$	**$**	$
Net assets (deficiencies) - beginning of year	450,402	(326,419)	136,928	**260,911**	198,535
Excess (deficiency) of revenue over expenses	-	(98,375)	119,633	**21,258**	62,376
Transfer (Note 7)	32,634	-	(32,634)	**-**	-
Transfer for additions	(6,457)	6,457	-	**-**	-
Principal repayments of mortgage	-	121,405	(121,405)	**-**	-
Net assets (deficiencies) - end of year	476,579	(296,932)	102,522	**282,169**	260,911

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

THE ZAJAC NORGATE HOUSE JOINT VENTURE
Statement of Operations
For the Year Ended 31 December 2022

	2022	2021
Revenue		
Rent (Note 9)	**$ 477,054**	$ 472,808
Other income	**12,785**	24,786
	489,839	497,594
Expenses		
Utilities and services	**82,688**	83,030
Management fees on and off site (Note 12)	**67,881**	70,843
Interest	**62,424**	66,459
Repairs and maintenance	**56,283**	38,023
Insurance	**48,128**	25,359
Property taxes	**39,827**	38,968
Accounting and legal	**9,484**	9,678
Office and miscellaneous	**3,388**	3,435
Rent	**103**	103
	370,206	335,898
Excess of revenues over expenses before other items	**119,633**	161,696
Other items		
Amortization of deferred capital contributions	**5,300**	5,300
Amortization of tangible capital assets	**(103,675)**	(104,620)
	(98,375)	(99,320)
Excess of revenues over expenses	**$ 21,258**	$ 62,376

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

THE ZAJAC NORGATE HOUSE JOINT VENTURE
Statement of Cash Flows
For the Year Ended 31 December 2022

		2022		2021
Cash provided by (used in):				
Operating activities				
Excess of revenues over expenses	**$**	**21,258**	$	62,376
Items not affecting cash				
Amortization of tangible capital assets		**103,675**		104,620
Amortization of deferred capital contributions		**(5,300)**		(5,300)
		119,633		161,696
Net change in non-cash working capital accounts (Note 10)		**(3,208)**		(8,706)
		116,425		152,990
Investing activity				
Purchase of tangible capital assets		**(6,457)**		(5,515)
Financing activity				
Repayment of mortgage		**(121,405)**		(117,402)
Net (decrease) increase in cash and cash equivalents		**(11,437)**		30,073
Cash and cash equivalents - beginning of year		**168,935**		138,862
Cash and cash equivalents - end of year	**$**	**157,498**	$	168,935
Represented by:				
Cash and term deposits	**$**	**85,463**	$	123,077
Cash restricted for capital replacement reserve (Note 7)		**476,579**		450,402
Less: Term deposits		**(404,544)**		(404,544)
	$	**157,498**	$	168,935

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

1. Nature of Joint Venture

The Zajac Norgate House Joint Venture ("Joint Venture") is a not-for-profit Joint Venture between The Norgate House Society and The Mel Jr. and Marty Zajac Foundation ("The Zajac Foundation") formed on 15 July 1998.

The purpose of the Joint Venture is to provide affordable and accessible rental housing to senior citizens of modest means or persons otherwise deserving of community support. The Joint Venture constructed The Zajac Norgate House residential complex on a site leased from the District of North Vancouver at 16th Street and Bridgeman Avenue, North Vancouver, British Columbia and commenced rental operations in June 1999.

In June 2019, all board members of The Norgate House Society resigned amicably and there were no new candidates proposed for election to the Board. As a result, annual reports have not yet been filed with the BC Registry Services since 2019. Failure to elect new board members and file an annual report in the near future may lead to dissolution of The Norgate House Society.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Tangible Capital Assets

Tangible capital assets are stated at cost and are amortized over their estimated useful lives at the following annual rates:

Building	40 years straight line
Roof	20% declining balance
Furniture and fixtures	20% declining balance

One half of the annual amortization is recorded on capital assets purchased during the year.

(b) Revenue Recognition

The Joint Venture follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental revenue is earned on a monthly basis as outlined in the underlying rental agreement.

2. Summary of Significant Accounting Policies - continued

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the statement of financial position. Accounts subject to significant estimates include amortization on capital assets, deferred contributions and accrued liabilities. Management believes that the estimates utilized in preparing the financial statements are prudent and reasonable, however, actual results could differ from those estimates.

(d) Financial Instruments

i. Measurement

The Joint Venture initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and term deposits, cash and term deposits subject to restrictions and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, security deposits and mortgage payable.

ii. Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

iii. Transaction Costs

The Joint Venture recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. Summary of Significant Accounting Policies - continued

(e) Cash and Cash Equivalents

The Joint Venture's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

3. Financial Instruments

The Joint Venture is exposed to various risks through its financial instruments. The following analysis provides a measure of the Joint Venture's risk exposure and concentrations at the statement of financial position date, 31 December 2022.

(a) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Joint Venture is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, security deposits and mortgage payable. There has been no change in the risk exposure from the prior year.

(b) 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 Joint Venture is exposed to interest rate risk on its fixed interest rate financial instruments including term deposits and mortgage payable. Fixed-rate instruments subject the Joint Venture to a fair value risk. The Joint Venture does not purchase derivative financial instruments in order to minimize the effect of interest rate on these amounts. There has been no change in the risk exposure from the prior year.

(c) 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 Joint Venture's main credit risk relates to its cash, term deposits and account receivable. The Joint Venture manages risk on its cash by placing cash and term deposits with regulated financial institutions. The Joint Venture provides credit to its clients in the normal course of its operations. There has been no change in the risk exposure from the prior year.

4. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2022	Net Book Value 2021
Building	**$ 3,666,114**	**$ 2,153,842**	**$ 1,512,272**	$ 1,603,925
Roof	**45,049**	**20,272**	**24,777**	27,030
Furniture and fixtures	**135,628**	**93,321**	**42,307**	45,618
	$ 3,846,791	**$ 2,267,435**	**$ 1,579,356**	$ 1,676,573

The Joint Venture tests long-lived assets for impairment when events or circumstances indicate that their carrying amount may not be recoverable. When a long-lived asset no longer contributes to services provided by the Joint Venture, its carrying amount is written down to its residual value. No impairment losses were determined by management to be necessary for the year.

5. Mortgage Payable

	2022	2021
Montrose Mortgage Corporation: Repayable in monthly installments of $15,347 including principal and interest at 3.374% per annum. The mortgage is secured by a first fixed charge over the leasehold estate and a general assignment of leases and rent, matures 1 September 2023. This term has been extended six months to March 1, 2024 With interest at 7.19% but complete terms yet to be finalized.	**$ 1,807,401**	$ 1,928,806
Less: current portion	**125,700**	121,500
	$ 1,681,701	$ 1,807,306

Principal repayments on the long-term debt for the next 2 years are as follows:

2023	$ 125,700
2024	1,681,701
	$ 1,807,401

6. Deferred Capital Contribution

The deferred capital contribution consists of a grant totalling $212,000 received from the Real Estate Foundation of British Columbia for specific and identified 'age in place' and adaptable living features of The Zajac Norgate House. The grant is deferred and recognized as revenue on the same basis as the amortization expense related to the building. In the current year, $5,300 (2021 - $5,300) was recognized as revenue.

7. Capital Replacement Reserve

The capital replacement reserve has been established in accordance with the terms outlined in the lease agreement with the District of North Vancouver, to fund future replacement and restoration of the tangible capital assets. In the current year, $32,634 (2021 - $31,139) has been transferred to the fund as calculated based on the net rentable square footage of The Zajac Norgate House. In the current year, $6,457 (2021 - $3,654) was utilized from the capital replacement reserve to invest in capital assets and capital repairs.

8. Investment in Tangible Capital Assets

Investment in tangible capital assets is calculated as follows:

	2022	2021
Tangible capital assets	**$ 1,579,356**	$ 1,676,573
Amounts financed by deferred contributions	**(87,450)**	(92,750)
Amounts financed by mortgage	**(1,788,838)**	(1,910,242)
	$ (296,932)	$ (326,419)

A portion of the amount financed by the initial mortgage (being 0.94%) was for operations and is therefore excluded from the investment in capital assets.

9. Rent

In the current year $59,200 (2021 - $59,092) was received as rent support from the British Columbia Housing Management Commission.

10. Change in Non-Cash Working Capital Accounts

	2022	2021
Accounts receivable	**$ 9,082**	$ 2,677
Prepaid expenses	**(14,271)**	(14,567)
Accounts payable and accrued liabilities	**2,568**	1,412
Deferred rental revenue	**(459)**	(427)
Security deposits	**(128)**	2,199
	$ (3,208)	$ (8,706)

11. Commitments

The Norgate Society has leased the site of The Zajac Norgate House from the District of North Vancouver for a period of 60 years commencing in 1998. The annual lease payment in the first 35 years is $100 plus a portion of surplus cash flow as calculated per the lease agreement. Lease payments in the current year were $103 (2021 - $103). As at the 35th year anniversary, at the option of the landlord, the landlord and tenant shall agree upon an annual rent for the 36th and subsequent lease years.

12. Related Party Transactions

During the year, the Joint Venture paid management fees of $28,291 (2021 - $28,368) to a company controlled by family members of a director of the Zajac Foundation.

At 31 December 2022, $15,481 (2021 - $6,380) is payable to the Mel Jr. & Marty Zajac Foundation and is included in accounts payable and accrued liabilities. These amounts were repaid subsequent to the year end.