

WESLEY PLACE LTD.

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2015



REVIEW ENGAGEMENT REPORT

To the Directors of Wesley Place Ltd.:

We have reviewed the balance sheet of Wesley Place Ltd. as at December 31, 2015 and the statements of operations and changes in deficit and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Wolrige Mahon LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 19, 2016

WESLEY PLACE LTD.

STATEMENT OF OPERATIONS AND CHANGES IN DEFICIT (unaudited)

For the year ended December 31, 2015

	2015	2014
	\$	\$
Revenue		
Rental (Note 8)	3,829,416	3,641,615
Parking	209,404	207,210
	<u>4,038,820</u>	<u>3,848,825</u>
Expenses		
Advertising	50	1,019
Amortization - deferred charges	1,390	3,178
Amortization - deferred financing fees	244,311	244,311
Amortization - property and equipment	620,398	646,658
Business license	13,068	12,870
Donations	608	10,468
Insurance	135,587	132,064
Interest (Note 8)	1,590,356	1,623,970
Management fees	132,346	126,280
Office	11,388	18,169
Professional fees	15,960	15,834
Property taxes	255,773	259,359
Repairs and maintenance	306,982	465,052
Salaries	123,546	96,482
Security	72,253	74,558
Telephone	6,530	5,716
Utilities	138,007	140,778
	<u>3,668,553</u>	<u>3,876,766</u>
Operating earnings (loss)	<u>370,267</u>	<u>(27,941)</u>
Other income (expense)		
Change in fair value of temporary investments	(87,243)	-
Interest income	9,053	31,422
Investment income	107,846	-
Other income	2,790	2,595
	<u>32,446</u>	<u>34,017</u>
Earnings before income taxes	402,713	6,076
Income tax expense (Note 4)		
Future	210,000	130,000
Net earnings (loss)	<u>192,713</u>	<u>(123,924)</u>
Deficit, beginning	(6,246,734)	(6,122,810)
Deficit, ending	<u>(6,054,021)</u>	<u>(6,246,734)</u>

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

WESLEY PLACE LTD.

BALANCE SHEET

(unaudited)

December 31, 2015

	2015	2014
	\$	\$
Assets		
Current		
Cash	796,443	1,125,746
Cash and temporary investments - contingency reserve (Note 2)	1,835,567	1,395,174
Receivables	17,027	28,684
Prepaid expenses	76,862	85,217
Deferred charges (Note 3)	7,875	-
	<u>2,733,774</u>	<u>2,634,821</u>
Property and equipment, Schedule I	20,656,197	21,276,595
Future income taxes (Note 4)	4,050,000	4,260,000
	<u>27,439,971</u>	<u>28,171,416</u>
Liabilities		
Current		
Payables and accruals	133,102	148,573
Government remittances payable	4,026	5,836
Tenant deposits	193,337	193,790
Current portion of loan payable (Note 5)	542,592	506,424
	<u>873,057</u>	<u>854,623</u>
Loan payable (Note 5)	24,306,679	24,849,271
Due to related party (Note 8)	8,314,255	8,714,255
	<u>33,493,991</u>	<u>34,418,149</u>
Share Capital and Deficit		
Share capital (Note 6)	1	1
Deficit	(6,054,021)	(6,246,734)
	<u>(6,054,020)</u>	<u>(6,246,733)</u>
	<u>27,439,971</u>	<u>28,171,416</u>

Commitments (Note 9)

Approved by Directors:





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

WESLEY PLACE LTD.

STATEMENT OF CASH FLOWS

(unaudited)

For the year ended December 31, 2015

	2015	2014
	\$	\$
Cash flows related to operating activities		
Net earnings (loss)	192,713	(123,924)
Adjustments for items not affecting cash:		
Amortization - deferred charges	1,390	3,178
Amortization - deferred financing fees	244,311	244,311
Amortization - property and equipment	620,398	646,658
Change in fair value of temporary investments	87,243	-
Reinvestment of income on temporary investments	(104,642)	-
Future income taxes	210,000	130,000
	<u>1,251,413</u>	<u>900,223</u>
Changes in non-cash working capital:		
Receivables	11,657	1,954
Prepaid expenses	8,355	(15,488)
Deferred charges	(9,265)	-
Payables and accruals	(15,471)	(7,985)
Government remittances payable	(1,810)	1,304
Tenant deposits	(453)	3,825
	<u>1,244,426</u>	<u>883,833</u>
Cash flows related to investing activities		
Purchase of temporary investments	(1,800,000)	-
Disposal of cash and temporary investments held in contingency reserve fund	1,377,006	(25,722)
Purchase of property and equipment	-	(604)
	<u>(422,994)</u>	<u>(26,326)</u>
Cash flows related to financing activities		
Repayments of loan payable	(750,735)	(715,887)
Repayments to related party	(400,000)	-
	<u>(1,150,735)</u>	<u>(715,887)</u>
Net increase (decrease) in cash	(329,303)	141,620
Cash, beginning	1,125,746	984,126
Cash, ending	796,443	1,125,746

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

WESLEY PLACE LTD.

NOTES
(unaudited)

For the year ended December 31, 2015

The company was incorporated in 2000 under the laws of British Columbia to construct and market a rental building in Vancouver B.C. The company is wholly-owned by St. Andrew's-Wesley Church, which holds this company as a long-term investment.

Note 1 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

Deferred Charges

Deferred charges include leasing commissions, which are being amortized on a straight line basis over the terms of the related leases.

Property and Equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated annually as follows:

Building	- 4% declining balance
Furniture and fixtures	- 20% declining balance

except in the year of acquisition, at which time amortization is provided for at one-half the annual rate.

Impairment of Long-lived Assets

Long-lived assets, which include property and equipment, are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

Income Taxes

Income taxes are accounted for using the future income taxes method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

WESLEY PLACE LTD.

NOTES
(unaudited)

For the year ended December 31, 2015

Note 1 Significant Accounting Policies (continued)

Loan Payable

The loan payable is carried at its face amount net of deferred financing fees attributable to the acquisition of the loan. Deferred financing fees are carried at cost less accumulated amortization. Amortization of deferred financing fees is calculated annually on a straight-line basis over the term of the related loan.

Revenue Recognition

The company recognizes rental and parking revenue on a straight-line basis over the terms of the leases.

Financial Instruments

Measurement of financial instruments

The company measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized in net earnings when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of the transaction costs directly attributable to the acquisition of the instrument.

The company subsequently measures all of its financial assets and financial liabilities at amortized cost except for its temporary investments quoted in an active market, which are subsequently measured at fair value.

Impairment

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in net earnings. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount 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 net earnings.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The main estimates relate to the useful life of property and equipment.

WESLEY PLACE LTD.

NOTES
(unaudited)

For the year ended December 31, 2015

Note 2 Cash and Temporary Investments - Contingency Reserve

The cash and temporary investments - contingency reserve are internally designated as a contingency reserve for future building repair expenditures.

	2015		2014	
	Units	\$	Units	\$
GIC; average interest rate of 1.5%				
Balance, beginning		70,510		1,352,059
Purchases		-		70,510
Disposals		(70,510)		(1,352,059)
Balance, ending		-		70,510
Fiera Capital balanced fund				
Balance, beginning	-	-	-	-
Purchases	141,541	1,800,000	-	-
Income reinvested, net	8,914	106,069	-	-
Disposals	(250)	(1,457)	-	-
Fair value adjustment	-	(87,243)	-	-
Balance, ending	150,205	1,817,369	-	-
Cash		18,198		1,324,664
	150,205	1,835,567	-	1,395,174

Note 3 Deferred Charges

	2015	2014
	\$	\$
Deferred charges	9,265	537,016
Accumulated amortization	(1,390)	(537,016)
	7,875	-

WESLEY PLACE LTD.

NOTES
(unaudited)

For the year ended December 31, 2015

Note 4 Income Taxes

The company has accumulated losses of \$773,898 for income tax purposes which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

	\$
2030	136,669
2031	289,029
2032	348,200
	<hr/>
	773,898
	<hr/>

The potential tax benefit which may result from application of these losses is recognized in these financial statements.

Note 5 Loan Payable

	2015 \$	2014 \$
Citizens Bank of Canada		
Payable in monthly instalments of \$166,685 including principal and interest at 4.81% compounded semi-annually, not in advance, due January 1, 2021, and secured by a first mortgage charge over the property at 1016 - 1040 Nelson Street, Vancouver, B.C. (Schedule 1), a general security agreement, and a general assignment of commercial leases	25,827,470	26,578,205
Less: Deferred financing fees	978,199	1,222,510
Less: Current portion, net of deferred financing fees	542,592	506,424
	<hr/>	<hr/>
	24,306,679	24,849,271
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Principal repayments required in the next 5 years are:

	\$
2016	786,903
2017	825,874
2018	865,787
2019	907,932
2020	951,791

WESLEY PLACE LTD.

NOTES
(unaudited)

For the year ended December 31, 2015

Note 6 Share Capital

Authorized:	5,000	Class "A" voting, participating, common shares without par value
	5,000	Class "B" non-voting, participating, common shares without par value
	10,000	Class "C" non-voting, redeemable, retractable, preferred shares with a par value of \$1.00 per share
	10,000	Class "D" non-voting, redeemable, retractable, preferred shares with a par value of \$1.00 per share

		2015	2014
		\$	\$
Issued:	1 Class "A" share	<u>1</u>	<u>1</u>

Note 7 Financial Instruments

Items that meet the definition of a financial instrument include cash, temporary investments, receivables, payables and accruals, tenant deposits, loan payable, and due to related party.

The following is a summary of the significant financial instrument risks:

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to liquidity risk arising primarily from its payables and accruals, loan payable, and balance due to a related party. There is a concentration of liquidity risk as the company only has one significant external lender.

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 company is exposed to credit risk in connection with its receivables. The company provides credit to its tenants in the normal course of its operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that the company is not exposed to significant currency risk.

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 fair values of fixed rate financial instruments are subject to change, since fair values fluctuate inversely with changes in market interest rates. The cash flows related to floating rate financial instruments change as market interest rates change. The company is exposed to interest rate risk with respect to its loan payable and its amounts due to a related party, which bear interest at fixed rates.

WESLEY PLACE LTD.

NOTES
(unaudited)

For the year ended December 31, 2015

Note 7 Financial Instruments (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is exposed to other price risk related to its temporary investments.

Note 8 Related Party Transactions and Balances

The related party is the shareholder, St. Andrew's-Wesley Church.

	2015	2014
	\$	\$
Due to related party		
Accrued interest payable	2,614,170	3,014,170
Loan payable	5,700,085	5,700,085
	<u>8,314,255</u>	<u>8,714,255</u>

The company acquired its development site from St. Andrew's-Wesley Church for \$5,700,000 in 2000. The purchase price bears interest at 6% per annum, non-compounding, payable quarterly, is secured by a second mortgage charge on land (Schedule 1), and is due in 2020. During the year, the company recognized \$342,000 (2014: \$342,000) of interest expense on this loan and repaid \$742,000 (2014: \$342,000) in interest to St. Andrew's-Wesley Church.

During the year, the company received \$137,352 (2014: \$132,396) in rental revenue from St. Andrew's-Wesley Church.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 9 Commitments

As part of the building approval process with the Vancouver-Burrard Presbytery and BC Conference, the company is required to donate 10% of earnings before income taxes to the Mission and Service Fund of the United Church of Canada. This donation will be recorded when paid in fiscal 2016.

WESLEY PLACE LTD.

Schedule 1

PROPERTY AND EQUIPMENT
(unaudited)

For the year ended December 31, 2015

	Cost \$	Accumulated Amortization \$	Net Carrying Value \$	Current Amortization \$
Land				
Balance, December 31, 2014 and December 31, 2015	5,813,378		5,813,378	
Building				
Balance, December 31, 2014	25,719,776	10,268,237	15,451,539	
Amortization		618,062	(618,062)	618,062
Balance, December 31, 2015	25,719,776	10,886,299	14,833,477	
Furniture and fixtures				
Balance, December 31, 2014	24,257	12,579	11,678	
Amortization		2,336	(2,336)	2,336
Balance, December 31, 2015	24,257	14,915	9,342	
Totals	31,557,411	10,901,214	20,656,197	620,398

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