

Financial statements of

**POSABILITIES ASSOCIATION OF
BRITISH COLUMBIA**

Year ended March 31, 2013



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of PosAbilities Association of British Columbia

We have audited the accompanying financial statements of PosAbilities Association of British Columbia, which comprise the statement of financial position as at March 31, 2013, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes, comprising 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

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 our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PosAbilities Association of British Columbia as at March 31, 2013 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

Comparative Information

Without modifying our opinion, we draw attention to note 1 to the financial statements which describes that PosAbilities Association of British Columbia adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



Chartered Accountants

August 26, 2013
Vancouver, Canada

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

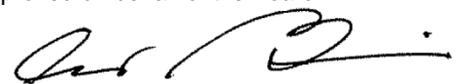
Statement of Financial Position

	March 31, 2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,506,840	\$ 1,508,349	\$ 738,104
Short-term investments	3,498,020	2,106,020	3,585,303
Accounts receivable	441,630	1,479,839	1,232,922
Prepaid expenses and deposits	184,325	176,334	165,226
	5,630,815	5,270,542	5,721,555
Investments	1,191,941	1,751,365	-
British Columbia Housing Management Commission ("BCHMC") Replacement Reserve Fund - cash (note 2(f)(i))	565,866	539,265	516,409
Capital assets (note 3)	5,788,813	6,251,405	6,599,571
	\$ 13,177,435	\$ 13,812,577	\$ 12,837,535
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	\$ 2,998,784	\$ 3,989,559	\$ 2,886,709
Current portion of mortgages payable (note 5)	550,244	440,853	744,991
Deferred revenue (note 6)	1,262,165	1,001,878	822,626
	4,811,193	5,432,290	4,454,326
Mortgages payable (note 5)	4,794,119	5,348,194	5,299,805
Deferred liabilities	149,201	179,267	202,333
Deferred contributions:			
BCHMC Replacement Reserve Fund (note 7)	565,866	539,265	516,409
Capital assets (note 8)	340,173	363,013	391,590
Autism Spectrum Disorder Research and Development Fund (note 9)	73,867	85,167	92,167
	979,906	987,445	1,000,166
	10,734,419	11,947,196	10,956,630
Net assets:			
Replacement Reserve Fund (note 2(f)(ii))	500,738	573,767	563,896
Invested in capital assets	683,389	678,457	742,296
Building Fund	683,003	-	-
Unrestricted surplus	575,886	613,157	574,713
	2,443,016	1,865,381	1,880,905
	\$ 13,177,435	\$ 13,812,577	\$ 12,837,535

Lease commitments (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:


Celso Boscariol, President


Dr. Sid Mindess, Vice President

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Operations

Year ended March 31, 2013, with comparative information for 2012

	2013	2012
		(Unaudited)
Revenue:		
Community Living British Columbia/Ministry of Children and Family	\$ 23,524,334	\$ 24,171,148
Tenant rent	1,254,343	1,252,176
BCHMC rental subsidy and other payments	498,265	630,034
Private contracts	167,417	264,295
Amortization of deferred contributions - capital assets (note 8)	22,840	28,577
Interest income	82,181	70,078
Other	210,126	189,543
	<u>25,759,506</u>	<u>26,605,851</u>
Expenses:		
Salaries, wages and benefits	18,974,830	19,491,244
Professional fees and shared living fees	2,867,545	2,925,649
Building costs	1,662,057	1,852,898
Program and equipment	1,523,350	1,579,285
Amortization of capital assets	348,793	361,609
Mortgage interest	231,191	245,523
Office expenses	158,858	159,230
	<u>25,766,624</u>	<u>26,615,438</u>
Deficiency of revenue over expenses before the undernoted	(7,118)	(9,587)
Gain on disposal of capital assets	584,753	-
Excess (deficiency) of revenue over expenses	<u>\$ 577,635</u>	<u>\$ (9,587)</u>

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Changes in Net Assets

March 31, 2013	Replacement Reserve Fund	Invested in capital assets	Building fund	Unrestricted surplus	Total
Balance, beginning of year	\$ 573,767	\$ 678,457	\$ -	\$ 613,157	\$ 1,865,381
Excess (deficiency) of revenue over expenses	-	(325,953)	-	903,588	577,635
Transfer to Building Fund	(97,621)	-	683,003	(585,382)	-
Mortgage principal payments	-	444,684	-	(444,684)	-
Provision for Vehicle Replacement Reserve	24,592	-	-	(24,592)	-
Capital asset additions and disposals	-	(113,799)	-	113,799	-
Balance, end of year	\$ 500,738	\$ 683,389	\$ 683,003	\$ 575,886	\$ 2,443,016

March 31, 2012 (Unaudited)	Replacement Reserve Fund	Invested in capital assets	Building fund	Unrestricted surplus	Total
Balance, beginning of year	\$ 563,896	\$ 742,296	\$ -	\$ 574,713	\$ 1,880,905
Excess (deficiency) of revenue over expenses	-	(333,032)	-	323,445	(9,587)
Expenses to Replacement Reserve Fund	(5,937)	-	-	-	(5,937)
Mortgage principal payments	-	255,749	-	(255,749)	-
Provision for Vehicle Replacement Reserve	15,808	-	-	(15,808)	-
Capital asset additions and disposals	-	13,444	-	(13,444)	-
Balance, end of year	\$ 573,767	\$ 678,457	\$ -	\$ 613,157	\$ 1,865,381

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2013, with comparative information for 2012

	2013	2012
		(Unaudited)
Cash flow from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 577,635	\$ (9,587)
Items not affecting cash:		
Amortization of capital assets	348,793	361,609
Amortization of deferred contributions - capital assets	(22,840)	(28,577)
Gain on disposal of capital assets	(584,753)	-
Deferred revenue recognized in current year	(109,064)	(90,706)
	209,771	232,739
Changes in non-cash operating working capital items:		
Accounts receivable	1,038,209	(246,917)
Prepaid expenses and deposits	(7,991)	(11,108)
Accounts payable and accrued liabilities	(990,775)	1,102,850
Deferred revenue received in current year	369,351	269,958
Deferred liabilities	(30,066)	(23,066)
	588,499	1,324,456
Cash flow from investing activities:		
Purchase of capital assets	(70,221)	(13,444)
Proceeds from disposal of capital assets	768,773	-
Replacement Reserve Fund used	-	(5,936)
Spending from ASD Fund	(11,300)	(7,000)
Purchase of investments (net)	(832,576)	(272,082)
	(145,324)	(298,462)
Cash flow from financing activities:		
Mortgage principal repayments	(444,684)	(255,749)
Increase (decrease) in cash and cash equivalents	(1,509)	770,245
Cash and cash equivalents, beginning of year	1,508,349	738,104
Cash and cash equivalents, end of year	\$ 1,506,840	\$ 1,508,349
Supplemental cash flow information:		
Change in BCHMC Replacement Reserve Fund and related restricted cash (note 7)	26,601	22,856

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2013

1. Purpose of the Association:

PosAbilities Association of British Columbia ("the Association") provides residential and community integration support options to individuals (adults and children) who are developmentally disabled, and their families. The Association is incorporated under the Society Act of British Columbia, is a not-for-profit organization and is a registered charity under the Income Tax Act.

The activities of the Association are primarily funded under contracts negotiated annually with Community Living British Columbia ("CLBC") and other agencies of the Province of British Columbia. The Association's ability to continue to provide services is largely dependent upon the continuing support of CLBC.

Effective April 1, 2012, the Association adopted the new Canadian accounting standards for not-for profit organizations ("ASNPOs") issued by the Canadian Institute of Chartered Accountants ("CICA"). These financial statements are the first financial statements for which the Association has applied this financial reporting framework.

In accordance with the transitional provisions in ASNPOs, the Association has adopted these changes retroactively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPOs.

There were no adjustments to net assets at April 1, 2011, or to the statement of operations for the year ended March 31, 2012.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the CICA Handbook, and reflect the following significant accounting policies:

(a) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry investments at fair value, with gains and losses recorded in the period in which they arise.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2013

2. Significant accounting policies (continued):

(a) Financial instruments (continued):

Financial assets measured at amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(b) Revenue recognition:

The Association follows the deferral method of accounting for contributions (comprising contract payments, grants and donations). Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis that the related capital assets are amortized. 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.

Tenant rent represents rental income on property owned and/or leased by the Association. This rent is recognized as revenue as the service is provided and collection is reasonably assured.

(c) Multi-employer benefit plans:

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, and accordingly, contributions are expensed when they become payable.

(d) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful life and recoverability of capital assets, the collectability of accounts receivable, and the recognition of accrued liabilities.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2013

2. Significant accounting policies (continued):

(e) Capital assets:

Purchased assets are recorded at cost less amortization.

Certain land and buildings are mortgaged to Canada Mortgage and Housing Corporation ("CMHC"). The terms of the mortgages require that amortization be provided in the accounts in an amount equal to annual principal repayments.

The Association provides amortization on the assets over their estimated useful lives using the following rates and methods:

Residential properties	Over remaining terms of mortgages
Equipment and furnishings	20% to 50% straight-line
Vehicles	25% straight-line
Leasehold improvements	Lesser of useful life and remaining term of the lease

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Association uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Replacement Reserve Fund:

(i) The Association is required to maintain a replacement reserve fund as designated by the BCHMC. Expenditures incurred during the year are charged against the fund. Amounts sufficient to support the balances designated by the BCHMC have been placed in a separate bank account.

(ii) The Association restricts funds to provide for replacement costs at residences not subject to the BCHMC provisions and for replacement cost of vehicles owned by the Association.

(g) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, funds on deposits that are redeemable any time or have a maturity of three months or less at the date of acquisition.

(h) Investments:

Investments consist of guaranteed investment certificates ("GICs"). Short-term investments are those with maturities of less than one year from purchase.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2013

2. Significant accounting policies (continued):

(i) Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Residential properties	\$ 8,357,367	\$ 2,688,922	\$ 5,668,445
Equipment and furnishings	538,550	525,608	12,942
Vehicles	838,741	800,299	38,442
Leasehold improvements	226,022	157,038	68,984
	<u>\$ 9,960,680</u>	<u>\$ 4,171,867</u>	<u>\$5,788,813</u>

March 31, 2012 (Unaudited)	Cost	Accumulated amortization	Net book value
Residential properties	\$ 8,717,371	\$ 2,602,357	\$ 6,115,014
Equipment and furnishings	544,303	517,219	27,084
Vehicles	838,741	765,191	73,550
Leasehold improvements	232,426	196,669	35,757
	<u>\$10,332,841</u>	<u>\$ 4,081,436</u>	<u>\$ 6,251,405</u>

April 1, 2011 (Unaudited)	Cost	Accumulated amortization	Net book value
Residential properties	\$ 8,717,371	\$ 2,346,598	\$ 6,370,773
Equipment and furnishings	674,205	633,061	41,144
Vehicles	843,357	720,265	123,092
Leasehold improvements	305,656	241,094	64,562
	<u>\$ 10,540,589</u>	<u>\$ 3,941,018</u>	<u>\$ 6,599,571</u>

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$255,440 (March 31, 2012 - \$233,527; April 1, 2011 - \$262,772).

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2013

5. Mortgages payable:

Mortgages payable are comprised of the following first mortgages with CMHC, various banks, trust companies and credit unions that are secured by the underlying properties.

	Annual interest rates	Monthly mortgage repayments	Renewal dates	Principal outstanding		
				March 31, 2013	March 31, 2012	April 1, 2011
				(Unaudited)	(Unaudited)	
Vancity	prime+1.35%	\$ 1,069	July 31, 2013	\$ 58,618	\$ 68,667	\$ 78,716
BMO	2.40%-5.08%	1,141 - 22,243	January 1, 2014 - August 1, 2023	3,669,264	3,997,475	4,141,577
CMHC	2.25%-3.51%	934 - 2,084	September 1, 2013 - December 1, 2021	1,616,481	1,722,905	1,824,503
				5,344,363	5,789,047	6,044,796
Less: current portion				550,244	440,853	744,991
				\$ 4,794,119	\$ 5,348,194	\$ 5,299,805

The estimated mortgage principal payments required in the next five years and thereafter are as follows:

2014	\$ 260,941
2015	270,278
2016	280,497
2017	291,152
2018	302,263
Thereafter	3,939,232
	\$ 5,344,363

The above estimated payments assume all mortgages will continue to be renewed on similar terms. Mortgages totaling \$289,303 are maturing in 2014 and are presented as current on the statement of financial position.

6. Deferred revenue:

Deferred revenue represents operating funding received for specific expenses expected to be incurred in subsequent years. Changes in the deferred revenue balance are as follows:

	2013	2012
		(Unaudited)
Balance, beginning of year	\$ 1,001,878	\$ 822,626
Amounts received related to future years	369,351	269,958
Amounts recognized as revenue in the year	(109,064)	(90,706)
	\$ 1,262,165	\$ 1,001,878

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2013

7. Deferred contributions - BCHMC Replacement Reserve Fund:

Deferred contributions - BCHMC Replacement Reserve Fund represents restricted contributions allocated to a replacement fund as designated by the BCHMC (note 2(f)(i)). Changes in the deferred contributions balance are as follows:

	2013	2012
		(Unaudited)
Balance, beginning of year	\$ 539,265	\$ 516,409
Contributions for the year:		
BCHMC	120,295	113,872
Interest earned	3,817	3,807
Expenditures for the year	(97,511)	(94,823)
	<u>\$ 565,866</u>	<u>\$ 539,265</u>

8. Deferred contributions - capital assets:

Deferred contributions - capital assets represent restricted contributions in respect of certain capital assets when they were originally acquired. Changes in the deferred contributions balance are as follows:

	2013	2012
		(Unaudited)
Balance, beginning of year	\$ 363,013	\$ 391,590
Amounts amortized to revenue	(22,840)	(28,577)
	<u>\$ 340,173</u>	<u>\$ 363,013</u>

9. Deferred contributions - Autism Spectrum Disorder Research and Development Fund:

The Autism Spectrum Disorder ("ASD") Research and Development Fund is to be used for the development of programs, education and special projects related to the Association's ASD clients.

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2013

10. Lease commitments:

The minimum payments required in the next five years under operating leases for residential facilities and equipment are as follows:

2014	\$	532,002
2015		464,505
2016		423,801
2017		149,426
2018		48,632
	\$	1,618,366

11. Financial risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to the Association if a counterparty to a financial instrument fails to meet its contractual obligations. The Association's investments in GICs are not subject to risk as they are insured.

Other credit risks can arise from holding receivables. The Association has minimal accounts receivable, other than from government and as such the credit risk is minimal.

(b) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Association.

The Association is not exposed to significant interest rate risk as the majority of its monetary assets and liabilities have fixed interest rates.

There have been no changes to the above risk exposures from the prior year.

12. Municipal pension plan employers:

The Association and its employees contribute to the Municipal Pension Plan (the "Plan"), a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

As sufficient information is not available to permit use of defined benefit accounting, defined contribution plan accounting is used.

Employer contributions to the Plan of \$1,059,000 (2012 - \$940,505) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent actuarial valuation for the Plan at December 31, 2009 indicated an unfunded liability of \$1,024 million. The actuary does not attribute portions of the unfunded liability to individual employers. The Plan covers approximately 176,000 active members. The next actuarial valuation will be as at December 31, 2012 with results expected in September 2013.