

Financial Statements of

**POSABILITIES ASSOCIATION OF
BRITISH COLUMBIA**

Year ended March 31, 2015



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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, 2015, 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, 2015 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 policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Chartered Accountants

August 31, 2015
Vancouver, Canada

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,475,714	\$ 2,181,047
Short-term investments	3,271,603	4,157,489
Accounts receivable	154,128	154,083
Prepaid expenses and deposits	130,541	132,362
	5,031,986	6,624,981
Investments	2,502,601	200,000
British Columbia Housing Management Commission ("BCHMC") Replacement Reserve Fund - cash (note 2(f)(i))	586,009	667,139
Capital assets (note 3)	7,071,269	5,995,148
	\$ 15,191,865	\$ 13,487,268

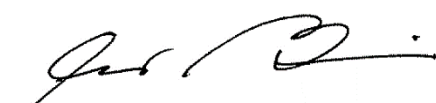
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 3,778,565	\$ 3,107,640
Current portion of mortgages payable (note 5)	312,282	643,825
Deferred revenue (note 6)	1,359,017	1,595,654
	5,449,864	5,347,119
Mortgages payable (note 5)	5,620,550	4,568,690
Deferred liabilities	80,807	118,498
Deferred contributions:		
BCHMC Replacement Reserve Fund (note 7)	586,009	667,139
Capital assets (note 8)	315,964	319,802
Autism Spectrum Disorder Research and Development Fund (note 9)	61,867	63,367
	963,840	1,050,308
	12,115,061	11,084,615
Net assets:		
Replacement Reserve Fund (note 2(f)(ii))	481,909	519,580
Invested in capital assets	1,401,614	1,041,974
Building Fund	989,577	683,003
Unrestricted surplus	203,704	158,096
	3,076,804	2,402,653
	\$ 15,191,865	\$ 13,487,268


Lease commitments (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Celso Boscarol, President



Paul Van Koll, Treasurer

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Community Living British Columbia / Ministry of Children and Family	\$ 25,021,616	\$ 23,846,950
Tenant rent	1,334,458	1,259,839
BCHMC rental subsidy and other payments	620,481	429,378
Private contracts	289,151	245,771
Amortization of deferred contributions - capital assets (note 8)	3,838	20,371
Interest income	102,808	90,200
Other	318,014	224,676
	<u>27,690,366</u>	<u>26,117,185</u>
Expenses:		
Salaries, wages and benefits	20,400,543	19,452,081
Professional fees and shared living fees	3,159,009	2,872,939
Building costs	1,813,883	1,527,800
Program and equipment	1,665,613	1,622,302
Amortization of capital assets	315,217	350,241
Mortgage interest	183,761	188,604
Office expenses	149,290	143,581
	<u>27,687,316</u>	<u>26,157,548</u>
Excess (deficiency) of revenue over expenses before the undernoted	3,050	(40,363)
Gain on disposal of capital assets	306,574	-
Prior year deferred revenue forgiven	381,190	-
Excess (deficiency) of revenue over expenses	<u>\$ 690,814</u>	<u>\$ (40,363)</u>

See accompanying notes to financial statements.

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	Replacement Reserve Fund	Invested in capital assets	Building fund	Unrestricted surplus	Total
March 31, 2015					
Balance, beginning of year	\$ 519,580	\$1,041,974	\$ 683,003	\$ 158,096	\$ 2,402,653
Expense charge to the replacement reserve fund	(16,663)	-	-	-	(16,663)
Excess (deficiency) of revenue over expenses	-	(311,379)	-	1,002,193	690,814
Mortgage principal payments	-	337,182	-	(337,182)	-
Transfer from vehicle replacement reserve	(21,008)	-	-	21,008	-
Capital asset additions and disposals	-	333,837	-	(333,837)	-
Transfer to building Fund	-	-	306,574	(306,574)	-
Balance, end of year	\$ 481,909	\$1,401,614	\$ 989,577	\$ 203,704	\$ 3,076,804

	Replacement Reserve Fund	Invested in capital assets	Building fund	Unrestricted surplus	Total
March 31, 2014					
Balance, beginning of year	\$ 500,738	\$ 683,389	\$ 683,003	\$ 575,886	\$ 2,443,016
Excess (deficiency) of revenue over expenses	-	(329,870)	-	289,507	(40,363)
Mortgage principal payments	-	371,848	-	(371,848)	-
Provision for vehicle replacement reserve	18,842	-	-	(18,842)	-
Capital asset additions and disposals	-	316,607	-	(316,607)	-
Balance, end of year	\$ 519,580	\$1,041,974	\$ 683,003	\$ 158,096	\$ 2,402,653

See accompanying notes to financial statements.

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Cash flow from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 690,814	\$ (40,363)
Items not affecting cash:		
Amortization of capital assets	315,217	350,241
Amortization of deferred contributions - capital assets	(3,838)	(20,371)
Gain on disposal of capital assets	(306,574)	-
Deferred revenue recognized in current year	(424,262)	(22,524)
	271,357	266,983
Changes in non-cash operating working capital items:		
Accounts receivable	(45)	287,547
Prepaid expenses and deposits	1,821	51,963
Accounts payable and accrued liabilities	670,925	108,887
Deferred revenue received in current year	187,625	356,013
Deferred liabilities	(37,691)	(30,703)
	1,093,992	1,040,690
Cash flow from investing activities:		
Purchase of capital assets	(421,553)	(316,607)
Proceeds from disposal of capital assets	394,289	-
Replacement reserve fund used	(16,663)	-
Spending from ASD fund	(1,500)	(10,500)
Redemption (purchase) of investments (net)	(1,416,715)	332,472
	(1,462,142)	5,365
Cash flow from financing activities:		
Mortgage principal repayments	(337,183)	(371,848)
Increase (decrease) in cash and cash equivalents	(705,333)	674,207
Cash and cash equivalents, beginning of year	2,181,047	1,506,840
Cash and cash equivalents, end of year	\$ 1,475,714	\$ 2,181,047
Supplemental cash flow information:		
Change in BCHMC replacement reserve fund and related restricted cash (note 7)	\$ (81,130)	\$ 101,273
Purchase of capital asset with mortgage payable	1,057,500	240,000

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2015

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. As such, the Association is exempt from income taxes.

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.

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 CPA Canada 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.

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.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2015

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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.

(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:

Asset	Rate
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.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2015

2. Significant accounting policies (continued):

(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 year-end.

3. Capital assets:

March 31, 2015	Cost	Accumulated amortization	Net book value
Residential properties	\$ 10,103,422	\$ 3,147,336	\$ 6,956,086
Equipment and furnishings	551,671	538,487	13,184
Vehicles	783,564	747,968	35,596
Leasehold improvements	273,525	207,122	66,403
	\$ 11,712,182	\$ 4,640,913	\$ 7,071,269

March 31, 2014	Cost	Accumulated amortization	Net book value
Residential properties	\$ 8,832,368	\$ 2,978,020	\$ 5,854,348
Equipment and furnishings	551,671	530,736	20,935
Vehicles	859,724	831,648	28,076
Leasehold improvements	273,525	181,736	91,789
	\$ 10,517,288	\$ 4,522,140	\$ 5,995,148

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$288,622 (2014 - \$274,190).

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2015

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	
				2015	2014
Vancity	3.73%	\$5,417	September 18, 2019	\$ 1,044,391	\$ 48,570
BMO	2.45% - 2.99%	\$1,135 to \$1,625	August 1, 2018 - January 1, 2019	544,018	574,944
CMHC	2.17% - 3.51%	\$915 to \$2,084	September 1, 2018 – August 1, 2024	1,392,797	1,506,605
First National	3.53%	\$19,725	August 1, 2023	2,951,626	3,082,396
				5,932,832	5,212,515
Less current portion				312,282	643,825
				\$ 5,620,550	\$ 4,568,690

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

2016	\$ 312,282
2017	321,162
2018	331,523
2019	342,228
2020	353,289
Thereafter	4,272,348
	\$ 5,932,832

The above estimated payments assume all mortgages will continue to be renewed on similar terms.

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:

	2015	2014
Balance, beginning of year	\$ 1,595,654	\$ 1,262,165
Net additions to deferred revenue	187,625	356,013
Amounts previously deferred and recognized as revenue	(424,262)	(22,524)
	\$ 1,359,017	\$ 1,595,654

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2015

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:

	2015	2014
Balance, beginning of year	\$ 667,139	\$ 565,866
Contributions for the year from BCHMC	120,293	120,292
Interest earned	4,654	4,537
Expenditures for the year	(206,077)	(23,556)
Balance, end of year	\$ 586,009	\$ 667,139

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:

	2015	2014
Balance, beginning of year	\$ 319,802	\$ 340,173
Amounts amortized to revenue	(3,838)	(20,371)
Balance, end of year	\$ 315,964	\$ 319,802

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.

10. Lease commitments:

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

2016	\$ 608,885
2017	256,492
2018	106,081
2019	24,035
	\$ 995,493

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2015

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 \$1,228,000 (2014 - \$1,100,000) 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, 2012 indicated an unfunded liability of \$1,370 million. The actuary does not attribute portions of the unfunded liability to individual employers. The Plan covers approximately 182,000 active members. The next actuarial valuation will be as at December 31, 2015 with results expected in September 2016.