Audited financial statements of

PosAbilities Association of British Columbia

(formerly Mainstream Association for Proactive Community Living)

March 31, 2012

PosAbilities Association of British Columbia

(formerly Mainstream Association for Proactive Community Living)

March 31, 2012

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Independent Auditor's Report

To the Members of PosAbilities Association of British Columbia
(formerly Mainstream Association for Proactive Community Living)

We have audited the accompanying financial statements of PosAbilities Association of British Columbia (formerly Mainstream Association for Proactive Community Living) (the "Association"), which comprise the balance sheet as at March 31, 2012, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 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.

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 the Association as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
August 27, 2012

PosAbilities Association of British Columbia

(formerly Mainstream Association for Proactive Community Living)

Balance sheet
as at March 31, 2012

Statement I

	2012	2011
	$	$
Assets		
Current assets		
Cash	**1,288,838**	489,992
Short-term investments	**2,106,020**	3,585,303
Accounts receivable	**1,479,839**	1,232,922
Prepaid expenses and deposits	**176,334**	165,226
	5,051,031	5,473,443
Investments	**1,751,365**	-
British Columbia Housing Management Commission ("BCHMC")		
Replacement Reserve Fund - restricted cash (Note 2 (g)(i))	**539,265**	516,409
Capital assets (Note 3)	**6,251,405**	6,599,571
	13,593,066	12,589,423
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**3,770,048**	2,638,597
Current portion of mortgages payable (Note 4)	**440,853**	744,991
Deferred revenue (Note 5)	**1,001,878**	822,626
	5,212,779	4,206,214
Mortgages payable (Note 4)	**5,348,194**	5,299,805
Deferred liabilities	**179,267**	202,333
Deferred contributions		
BCHMC Replacement Reserve Fund (Note 6)	**539,265**	516,409
Capital assets (Note 7)	**363,013**	391,590
Autism Spectrum Disorder Research and Development Fund (Note 8)	**85,167**	92,167
	11,727,685	10,708,518
Net assets		
Replacement Reserve Fund (Note 2 (g)(ii))	**573,767**	563,896
Equity in capital assets	**678,457**	742,296
Unrestricted surplus	**613,157**	574,713
	1,865,381	1,880,905
	13,593,066	12,589,423

Lease commitments (Note 9)

Approved by the Board

Celso Boscariol, President

Dr. Sid Mindess, 1st Vice President

PosAbilities Association of British Columbia

(formerly Mainstream Association for Proactive Community Living)

Statement of changes in net assets

as at March 31, 2012

Statement II

	Replacement Reserve Fund	Equity in capital assets	Unrestricted surplus	2012 Total	2011 Total
	$	$	$	$	$
Balance, beginning of year	563,896	742,296	574,713	1,880,905	1,871,536
(Deficiency) excess of revenue over expenses	-	-	(9,587)	(9,587)	39,709
Expenses to Replacement Reserve Fund	(5,937)	-	-	(5,937)	(30,340)
Amortization of deferred contributions	-	28,577	(28,577)	-	-
Amortization of capital assets		(361,609)	361,609	-	-
Mortgage principal payments	-	255,749	(255,749)	-	-
Provision for Vehicle Replacement Reserve	15,808	-	(15,808)	-	-
Capital asset additions, net of mortgages and deferred contributions	-	13,444	(13,444)	-	-
Balance, end of year	573,767	678,457	613,157	1,865,381	1,880,905

PosAbilities Association of British Columbia

(formerly Mainstream Association for Proactive Community Living)

Statement of operations
year ended March 31, 2012

Statement III

	2012	2011
	$	$
Revenue		
Community Living British Columbia/Ministry of Children and Family	**24,171,148**	25,546,517
Tenant rent	**1,252,176**	1,337,164
BCHMC rental subsidy and other payments	**630,034**	611,793
Private contracts	**264,295**	328,056
Amortization of deferred contributions - capital assets (Note 7)	**28,577**	52,460
Other	**259,621**	242,961
	26,605,851	28,118,951
Expenses		
Salaries, wages and benefits	**19,491,244**	20,756,855
Professional fees	**2,925,649**	2,737,454
Rent and property taxes	**1,102,947**	1,160,795
Program and equipment	**744,131**	701,245
Transportation	**499,958**	570,464
Food	**396,002**	443,106
Amortization of capital assets	**361,609**	422,355
Maintenance	**301,200**	342,010
Utilities	**249,295**	264,106
Mortgage interest	**245,523**	258,855
Office and sundry	**159,230**	193,159
Insurance	**59,301**	66,957
Staff training/resources	**55,192**	145,436
Security	**24,157**	16,445
	26,615,438	28,079,242
(Deficiency) excess of revenue over expenses for the year	**(9,587)**	39,709

PosAbilities Association of British Columbia

(formerly Mainstream Association for Proactive Community Living)

Statement of cash flows
year ended March 31, 2012

Statement IV

	2012	2011
	$	$
Cash flow from operating activities		
(Deficiency) excess of revenue over expenses	**(9,587)**	39,709
Items not affecting cash		
Amortization of capital assets	**361,609**	422,355
Amortization of deferred contributions - capital assets	**(28,577)**	(52,460)
Deferred revenue recognized in current year	**(90,706)**	(285,709)
Deferred liability	**(23,066)**	(22,795)
	209,673	101,100
Change in non-cash operating working capital items		
Accounts receivable	**(246,917)**	(947,687)
Prepaid expenses	**(11,108)**	(5,123)
Accounts payable and accrued liabilities	**1,131,451**	(108,633)
Deferred contributions received in current year	**269,959**	570,617
Deferred contributions receipts - capital assets	**-**	13,150
	1,353,058	(376,576)
Cash flow from investing activities		
Purchase of capital assets	**(13,444)**	(68,389)
Replacement Reserve Fund used	**(5,937)**	(30,340)
Spending from ASD Fund	**(7,000)**	(6,833)
Purchase of investments (net)	**(272,082)**	(59,479)
	(298,463)	(165,041)
Cash flow from financing activity		
Mortgage principal repayments	**(255,749)**	(252,111)
Net cash inflow (outflow)	**798,846**	(793,728)
Cash, beginning of year	**489,992**	1,283,720
Cash, end of year	**1,288,838**	489,992
Supplemental cash flow information		
Interest paid	**245,523**	258,855
Change in BCHMC Replacement Reserve Fund (Note 6)	**22,856**	54,693

See accompanying notes to the financial statements.

1. Purpose of the Association

PosAbilities Association of British Columbia (formerly Mainstream Association for Proactive Community Living) (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.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Financial instruments

The Association has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following sections of the CICA Handbook: Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, which would otherwise have applied to the financial statements of the Association beginning in the year ended March 31, 2009. The Association applies the requirements of Section 3861, *Financial Instruments - Disclosure and Presentation*, of the CICA Handbook.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired, their characteristics and the Association's designation of such instruments. Settlement date accounting is used.

(i) Held-for-trading

Cash, investments and funds segregated for replacement reserves have been designated as held-for-trading and are measured at fair value. Fair value fluctuations including interest earned, interest accrued, and gains and losses realized on disposal are included in other income.

(ii) Loans and receivables

Accounts receivable have been designated as loans and receivables and are accounted for at amortized cost using the effective interest method.

(iii) Other liabilities

Accounts payable, accrued liabilities, mortgages payable and deferred liabilities are recorded at amortized cost using the effective interest method.

2. Significant accounting policies (continued)

(b) Capital disclosures

The Association has no externally imposed capital requirements, and manages its capital primarily through its investments and adheres to the guidelines of the Association's investment policies. There have been no changes to these guidelines during the year.

(c) Revenue recognition

The Association follows the deferral method of accounting for contributions (comprising contract payments, subsidies, grants and donations from CLBC, the Ministry of Children and Family, BCHMC and private contracts). Externally 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.

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.

Other revenue comprise of interest income and other miscellaneous income. These are recognized as revenue when earned and collection is reasonably assured.

(d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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, recognition of deferred contributions and accrued liabilities.

(e) Cash and investments

Cash consists of cash on hand, funds on deposit and term deposits that are redeemable any time or have a maturity of three months or less at the date of acquisition. Short-term investments have a maturity of less than one year.

(f) Capital assets

Purchased assets are recorded at cost less accumulated 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	20% straight-line

2. Significant accounting policies (continued)

(f) Capital assets (continued)

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Association or no longer contributes to the Association's ability to provide services. The amount of an impairment loss is recognized as the amount by which the carrying value of the asset exceeds its estimated residual value.

(g) 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 (Statement II).

(h) Future accounting changes

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards and Canadian accounting standards for not-for-profit organizations. The Association currently plans to adopt the Canadian accounting standards for not-for-profit organizations for its fiscal year beginning on April 1, 2012, and is evaluating the impact of adoption.

3. Capital assets

			2012	2011
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Residential properties	**8,717,371**	**2,602,357**	**6,115,014**	6,370,773
Equipment and furnishings	**544,303**	**517,219**	**27,084**	41,144
Vehicles	**838,741**	**765,191**	**73,550**	123,092
Leasehold improvements	**232,426**	**196,669**	**35,757**	64,562
	10,332,841	**4,081,436**	**6,251,405**	6,599,571

Certain residential properties are subject to charges, as per the Human Resource Facility Act, whereby the facility may only be used for residential care purposes.

4. Mortgages payable

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

	Annual interest rate	Monthly mortgage repayment	Renewal date	Principal outstanding 2012	2011
	%	$		**$**	$
East 38th	3.13	1,325	October 1, 2020	**175,133**	185,721
Broadway	3.43	1,354	June 1, 2020	**169,625**	179,893
Goodlad	2.61	1,256	September 1, 2014	**157,963**	168,768
Britton	2.61	1,035	September 1, 2014	**131,657**	140,521
Buckingham	3.09	1,721	September 1, 2013	**252,349**	265,027
Vista	3.43	1,728	February 1, 2021	**226,331**	239,105
Como Lake	2.25	1,782	December 1, 2021	**234,530**	246,400
Norfolk	3.51	2,084	February 1, 2020	**257,092**	272,820
Maple Ridge	2.63	1,145	February 1, 2014	**105,328**	116,173
Claude	2.61	934	September 1, 2014	**118,225**	126,247
Godwin	2.76	1,366	October 1, 2012	**188,836**	200,222
Randall	2.40	1,626	August 1, 2013	**207,778**	222,138
Raven	2.40	1,141	January 1, 2014	**177,309**	186,644
Ridgeview Heights	5.08	22,243	August 1, 2013	**3,318,224**	3,416,401
Ridgeview Heights Community Space	prime + 1.35	1,121	April 28, 2013	**68,667**	78,716
		41,861		**5,789,047**	6,044,796
			Less: Current portion	**440,853**	744,991
				5,348,194	5,299,805

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

	$
2013	440,853
2014	4,066,520
2015	419,034
2016	70,924
2017	73,200
Thereafter	718,516
	5,789,047

5. 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:

	2012	2011
	$	$
Balance, beginning of year	**822,626**	537,718
Amounts received related to future years	**269,959**	570,617
Amounts recognized as revenue in the year	**(90,707)**	(285,709)
	1,001,878	822,626

6. 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 (see Note 2 (g) (i)). Changes in the deferred contributions balance are as follows:

	2012	2011
	$	$
Balance, beginning of year	**516,409**	461,716
Contributions for the year		
BCHMC	**113,872**	94,601
Interest earned	**3,807**	3,107
Expenditures for the year	**(94,823)**	(43,015)
	539,265	516,409

7. 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:

			2012	2011
	B.C. Gaming Commission	**Other**	**Total**	Total
	$	**$**	**$**	$
Balance, beginning of year	**64,251**	**327,339**	**391,590**	430,900
Receipts for the year	**-**	**-**	**-**	13,150
Amounts amortized to revenue	**-**	**(28,577)**	**(28,577)**	(52,460)
	64,251	**298,762**	**363,013**	391,590

8. 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.

9. Lease commitments

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

	$
2013	533,408
2014	413,161
2015	353,634
2016	306,638
2017	71,918
Thereafter	4,181
	1,682,940

10. Financial instruments

(a) *Fair values*

The Association's financial instruments include cash, short-term investments, accounts receivable and accounts payable. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

The estimated fair value of investments and mortgages payable is not significantly different from current carrying value.

(b) *Interest rate risk*

The Association is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities. Substantially all of the Association's mortgages bear a fixed interest rate; therefore no interest rate risk exists.

11. Municipal pension plan employers

The Association and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed pension plan. The board of trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 176,000 active members and approximately 67,000 retired members.

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 valuation as at December 31, 2009 indicated a unfunded liability of $1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Association paid $940,505 (2011 - $842,581) for employer contributions to the Plan in the fiscal year ended March 31, 2012.