

Financial Statements of

**POSSIBILITIES ASSOCIATION OF  
BRITISH COLUMBIA**

Year ended March 31, 2016



KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone (604) 691-3000  
Fax (604) 691-3031

## 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, 2016, 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, 2016 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

August 29, 2016  
Vancouver, Canada

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Financial Position

March 31, 2016, with comparative information for 2015


	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,898,685	\$ 1,475,714
Short-term investments	2,646,827	3,271,603
Accounts receivable	150,979	154,128
Prepaid expenses and deposits	179,239	130,541
	4,875,730	5,031,986
Investments	2,349,264	2,502,601
British Columbia Housing Management Commission ("BCHMC") Replacement Reserve Fund - cash (note 2(f)(i))	424,936	586,009
Capital assets (note 3)	7,141,013	7,071,269
	\$ 14,790,943	\$ 15,191,865
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 4,044,251	\$ 3,778,565
Current portion of mortgages payable (note 5)	321,185	312,282
Deferred revenue (note 6)	1,265,855	1,359,017
	5,631,291	5,449,864
Mortgages payable (note 5)	5,298,674	5,620,550
Deferred liabilities	42,473	80,807
Deferred contributions:		
BCHMC Replacement Reserve Fund (note 7)	424,936	586,009
Capital assets (note 8)	315,964	315,964
Autism Spectrum Disorder Research and Development Fund (note 9)	61,867	61,867
	802,767	963,840
	11,775,205	12,115,061
Net assets:		
Replacement Reserve Fund (note 2(f)(ii))	486,061	481,909
Invested in capital assets	1,784,331	1,401,614
Building Fund	989,577	989,577
Unrestricted surplus (deficit)	(244,231)	203,704
	3,015,738	3,076,804
	\$ 14,790,943	\$ 15,191,865

Lease commitments (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
Celso Boscarior, President

  
Paul Van Koll, Treasurer

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Community Living British Columbia / Ministry of Children and Family	\$ 25,306,624	\$ 25,021,616
Tenant rent	1,397,878	1,334,458
BCHMC rental subsidy and other payments	639,418	620,481
Private contracts	323,674	289,151
Amortization of deferred contributions - capital assets (note 8)	-	3,838
Interest income	103,929	102,808
Other	233,156	318,014
	<u>28,004,679</u>	<u>27,690,366</u>
Expenses:		
Salaries, wages and benefits	20,397,935	20,400,543
Professional fees and shared living fees	3,467,391	3,159,009
Building costs	1,963,078	1,813,883
Program and equipment	1,601,175	1,665,613
Amortization of capital assets	284,225	315,217
Mortgage interest	192,337	183,761
Office expenses	150,857	149,290
	<u>28,056,998</u>	<u>27,687,316</u>
Excess (deficiency) of revenue over expenses before the undernoted	(52,319)	3,050
Gain on disposal of capital assets	4,168	306,574
Prior year deferred revenue forgiven	-	381,190
Excess (deficiency) of revenue over expenses	<u>\$ (48,151)</u>	<u>\$ 690,814</u>

See accompanying notes to financial statements.

# POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	Replacement Reserve Fund	Invested in capital assets	Building fund	Unrestricted surplus	Total
<b>March 31, 2016</b>					
Balance, beginning of year	\$ 481,909	\$ 1,401,614	\$ 989,577	\$ 203,704	\$ 3,076,804
Expense charge to the replacement reserve fund	(12,915)	-	-	-	(12,915)
Excess (deficiency) of revenue over expenses	-	(280,057)	-	231,906	(48,151)
Mortgage principal payments	-	312,973	-	(312,973)	-
Transfer from vehicle replacement reserve	17,067	-	-	(17,067)	-
Capital asset additions and disposals	-	349,801	-	(349,801)	-
<b>Balance, end of year</b>	<b>\$ 486,061</b>	<b>\$ 1,784,331</b>	<b>\$ 989,577</b>	<b>\$ (244,231)</b>	<b>\$ 3,015,738</b>
<b>March 31, 2015</b>					
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)	-
<b>Balance, end of year</b>	<b>\$ 481,909</b>	<b>\$ 1,401,614</b>	<b>\$ 989,577</b>	<b>\$ 203,704</b>	<b>\$ 3,076,804</b>

See accompanying notes to financial statements.

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Cash flow from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (48,151)	\$ 690,814
Items not affecting cash:		
Amortization of capital assets	284,225	315,217
Amortization of deferred contributions - capital assets	-	(3,838)
Gain on disposal of capital assets	(4,168)	(306,574)
Deferred revenue recognized in current year	(235,972)	(424,262)
	(4,066)	271,357
Changes in non-cash operating working capital items:		
Accounts receivable	3,149	(45)
Prepaid expenses and deposits	(48,698)	1,821
Accounts payable and accrued liabilities	265,686	670,925
Deferred revenue received in current year	142,810	187,625
Deferred liabilities	(38,334)	(37,691)
	320,547	1,093,992
Cash flow from investing activities:		
Purchase of capital assets	(353,969)	(421,553)
Proceeds from disposal of capital assets	4,168	394,289
Replacement reserve fund used	(12,915)	(16,663)
Spending from ASD fund	-	(1,500)
Redemption (purchase) of investments (net)	778,113	(1,416,715)
	415,397	(1,462,142)
Cash flow from financing activities:		
Mortgage principal repayments	(312,973)	(337,183)
Increase (decrease) in cash and cash equivalents	422,971	(705,333)
Cash and cash equivalents, beginning of year	1,475,714	2,181,047
Cash and cash equivalents, end of year	\$ 1,898,685	\$ 1,475,714
Supplemental cash flow information:		
Change in BCHMC replacement reserve fund and related restricted cash (note 7)	\$ (161,073)	\$ (81,130)
Purchase of capital asset with mortgage payable	-	1,057,500

See accompanying notes to financial statements.

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2016

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## 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, 2016

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## 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

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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, 2016

## 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:

<b>March 31, 2016</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Residential properties	\$ 10,103,422	\$ 3,381,993	\$ 6,721,429
Equipment and furnishings	358,585	310,451	48,134
Vehicles	903,149	737,095	166,054
Leasehold improvements	436,063	230,667	205,396
	<b>\$ 11,801,219</b>	<b>\$ 4,660,206</b>	<b>\$ 7,141,013</b>

<b>March 31, 2015</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
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
	<b>\$ 11,712,182</b>	<b>\$ 4,640,913</b>	<b>\$ 7,071,269</b>

## 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$302,945 (2015 - \$288,622).

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2016

## 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	Principal outstanding		
			Renewal dates	2016	2015
Vancity	3.73%	\$ 5,417	September 18, 2019	\$ 1,016,354	\$ 1,044,391
BMO	2.45% - 2.99%	1,135 to 1,625	August 1, 2018 - January 1, 2019	511,797	544,018
CMHC	2.17% - 3.51%	915 to 2,084	September 1, 2018 - August 1, 2024	1,275,509	1,392,797
First National	3.53%	19,725	August 1, 2023	2,816,199	2,951,626
				5,619,859	5,932,832
Less current portion				321,185	312,282
				\$ 5,298,674	\$ 5,620,550

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

2017	\$ 321,185
2018	331,546
2019	342,252
2020	353,314
2021	364,745
Thereafter	3,906,817
	\$ 5,619,859

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:

	2016	2015
Balance, beginning of year	\$ 1,359,017	\$ 1,595,654
Net additions to deferred revenue	142,810	187,625
Amounts previously deferred and recognized as revenue	(235,972)	(424,262)
	\$ 1,265,855	\$ 1,359,017

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2016

## 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:

	2016	2015
Balance, beginning of year	\$ 586,009	\$ 667,139
Contributions for the year from BCHMC	120,293	120,293
Interest earned	6,268	4,654
Expenditures for the year	(287,634)	(206,077)
Balance, end of year	\$ 424,936	\$ 586,009

## 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:

	2016	2015
Balance, beginning of year	\$ 315,964	\$ 319,802
Amounts amortized to revenue	-	(3,838)
Balance, end of year	\$ 315,964	\$ 315,964

## 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 five years and thereafter under operating leases for residential facilities and equipment are as follows:

2017	\$ 561,792
2018	464,411
2019	382,215
2020	375,115
2021	377,284
Thereafter	753,207
	\$ 2,914,024

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2016

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## 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 \$1,226,000 (2015 - \$1,228,000) 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 188,000 active members. The next actuarial valuation will be as at December 31, 2015 with results expected in September 2016.