

Financial Statements of

**POSABILITIES ASSOCIATION OF
BRITISH COLUMBIA**

Year ended March 31, 2017



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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, 2017, 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, 2017 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 Societies 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.

KPMG LLP

Chartered Professional Accountants

August 28, 2017
Vancouver, Canada

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,052,657	\$ 1,898,685
Short-term investments	2,732,720	2,646,827
Accounts receivable	136,792	150,979
Prepaid expenses and deposits	193,871	179,239
	<u>5,116,040</u>	<u>4,875,730</u>
Investments	1,656,087	2,349,264
British Columbia Housing Management Commission ("BCHMC") Replacement Reserve Fund - cash (note 2(f)(i))	458,820	424,936
Capital assets (note 3)	7,251,317	7,141,013
	<u>\$ 14,482,264</u>	<u>\$ 14,790,943</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 3,987,217	\$ 4,044,251
Current portion of mortgages payable (note 5)	331,845	321,185
Deferred revenue (note 6)	1,061,812	1,265,855
	<u>5,380,874</u>	<u>5,631,291</u>
Mortgages payable (note 5)	4,965,686	5,298,674
Deferred liabilities	271,577	42,473
Deferred contributions:		
BCHMC Replacement Reserve Fund (note 7)	458,820	424,936
Capital assets (note 8)	315,964	315,964
Autism Spectrum Disorder Research and Development Fund (note 9)	61,867	61,867
	<u>836,651</u>	<u>802,767</u>
	<u>11,454,788</u>	<u>11,775,205</u>
Net assets:		
Replacement Reserve Fund (note 2(f)(ii))	429,432	486,061
Invested in capital assets	2,216,963	1,784,331
Building Fund	989,577	989,577
Unrestricted deficit	(608,496)	(244,231)
	<u>3,027,476</u>	<u>3,015,738</u>
	<u>\$ 14,482,264</u>	<u>\$ 14,790,943</u>

Lease commitments (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:


Celso Boscarol, President


Paul Van Koll, Treasurer

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Community Living British Columbia / Ministry of Children and Family	\$ 26,334,147	\$ 25,306,624
Tenant rent	1,372,959	1,397,878
BCHMC rental subsidy and other payments	488,484	639,418
Private contracts	342,740	323,674
Interest income	92,552	103,929
Other	363,893	233,156
	<u>28,994,775</u>	<u>28,004,679</u>
Expenses:		
Salaries, wages and benefits	21,362,010	20,397,935
Professional fees and shared living fees	3,601,312	3,467,391
Building costs	1,731,057	1,963,078
Program and equipment	1,605,226	1,601,175
Amortization of capital assets	386,428	284,225
Mortgage interest	178,958	192,337
Office expenses	126,163	150,857
	<u>28,991,154</u>	<u>28,056,998</u>
Excess (deficiency) of revenue over expenses before the undernoted	3,621	(52,319)
Gain on disposal of capital assets	11,551	4,168
Excess (deficiency) of revenue over expenses	\$ 15,172	\$ (48,151)

See accompanying notes to financial statements.

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

March 31, 2017	Replacement Reserve Fund	Invested in capital assets	Building fund	Unrestricted surplus	Total
Balance, beginning of year	\$ 486,061	\$ 1,784,331	\$ 989,577	\$ (244,231)	\$ 3,015,738
Expense charge to the replacement reserve fund	(3,434)	-	-	-	(3,434)
Excess (deficiency) of revenue over expenses	-	(374,877)	-	390,049	15,172
Mortgage principal payments	-	322,328	-	(322,328)	-
Transfer from vehicle replacement reserve	(53,195)	-	-	53,195	-
Capital asset additions and disposals	-	485,181	-	(485,181)	-
Balance, end of year	\$ 429,432	\$ 2,216,963	\$ 989,577	\$ (608,496)	\$ 3,027,476

March 31, 2016	Replacement Reserve Fund	Invested in capital assets	Building fund	Unrestricted surplus	Total
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)	-
Balance, end of year	\$ 486,061	\$ 1,784,331	\$ 989,577	\$ (244,231)	\$ 3,015,738

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Cash flow from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 15,172	\$ (48,151)
Items not affecting cash:		
Amortization of capital assets	386,428	284,225
Gain on disposal of capital assets	(11,551)	(4,168)
Deferred revenue recognized in current year	(407,515)	(235,972)
	(17,466)	(4,066)
Changes in non-cash operating working capital items:		
Accounts receivable	14,187	3,149
Prepaid expenses and deposits	(14,632)	(48,698)
Accounts payable and accrued liabilities	(57,034)	265,686
Deferred revenue received in current year	203,472	142,810
Deferred liabilities	229,104	(38,334)
	357,631	320,547
Cash flow from investing activities:		
Purchase of capital assets	(504,923)	(353,969)
Proceeds from disposal of capital assets	19,742	4,168
Replacement reserve fund used	(3,434)	(12,915)
Redemption (purchase) of investments (net)	607,284	778,113
	118,669	415,397
Cash flow from financing activities:		
Mortgage principal repayments	(322,328)	(312,973)
Increase (decrease) in cash and cash equivalents	153,972	422,971
Cash and cash equivalents, beginning of year	1,898,685	1,475,714
Cash and cash equivalents, end of year	\$ 2,052,657	\$ 1,898,685
Supplemental cash flow information:		
Change in BCHMC replacement reserve fund and related restricted cash (note 7)	\$ 33,884	\$ (161,073)

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2017

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 (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. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Association has until November 28, 2018 to transition to the new 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 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.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2017

2. Significant accounting policies (continued):

(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.

(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

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2017

2. Significant accounting policies (continued):

(e) Capital assets (continued):

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 year-end.

3. Capital assets:

March 31, 2017	Cost	Accumulated amortization	Net book value
Residential properties	\$ 10,103,422	\$ 3,614,035	\$ 6,489,387
Equipment and furnishings	398,215	315,980	82,235
Vehicles	926,658	694,252	232,406
Leasehold improvements	667,570	220,281	447,289
	\$ 12,095,865	\$ 4,844,548	\$ 7,251,317

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2017

3. Capital assets (continued):

March 31, 2016	Cost	Accumulated amortization	Net book value
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
	\$ 11,801,219	\$ 4,660,206	\$ 7,141,013

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$302,644 (2016 - \$302,945).

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	2017	2016
Vancity	3.73%	\$ 5,417	September 18, 2019	\$ 988,267	\$ 1,016,354
BMO	2.45% - 2.99%	1,135 to 1,625	August 1, 2018 - January 1, 2019	478,554	511,797
CMHC	2.17% - 3.51%	915 to 2,084	September 1, 2018 - August 1, 2024	1,154,761	1,275,509
First National	3.53%	19,725	August 1, 2023	2,675,949	2,816,199
				5,297,531	5,619,859
Less current portion				331,845	321,185
				\$ 4,965,686	\$ 5,298,674

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

2018	\$ 331,845
2019	342,546
2020	353,569
2021	365,021
2022	376,837
Thereafter	3,527,713
	\$ 5,297,531

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

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2017

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:

	2017	2016
Balance, beginning of year	\$ 1,265,855	\$ 1,359,017
Net additions to deferred revenue	203,472	142,810
Amounts previously deferred and recognized as revenue	(407,515)	(235,972)
	\$ 1,061,812	\$ 1,265,855

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:

	2017	2016
Balance, beginning of year	\$ 424,936	\$ 586,009
Contributions for the year from BCHMC	67,111	120,293
Interest earned	2,219	6,268
Expenditures for the year	(35,446)	(287,634)
Balance, end of year	\$ 458,820	\$ 424,936

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:

	2017	2016
Balance, beginning of year	\$ 315,964	\$ 315,964
Amounts amortized to revenue	-	-
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.

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2017

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:

2018	\$	645,210
2019		523,775
2020		515,521
2021		518,738
2022		474,304
Thereafter		543,411
	\$	3,220,959

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 \$1,284,000 (2016 - \$1,226,000) 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, 2015 indicated the plan's basic account was 104.6 per cent funded with actuarial assets of \$50.67 billion and actuarial liabilities of \$48.44 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The Plan covers approximately 309,000 active, inactive, and retired members. The next actuarial valuation will be as at December 31, 2018 with results expected in September 2019.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2017

13. Remuneration:

For the fiscal year ending 2017, the Association paid total remuneration of \$1,051,203 to the 10 highest paid employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.