

Financial Statements of

**POSSIBILITIES ASSOCIATION OF  
BRITISH COLUMBIA**

Year ended March 31, 2018



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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, 2018, 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, 2018 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

Vancouver, Canada  
August 27, 2018

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,585,660	\$ 2,052,657
Short-term investments	1,050,000	2,732,720
Accounts receivable	138,310	136,792
Prepaid expenses and deposits	265,599	193,871
	<u>4,039,569</u>	<u>5,116,040</u>
Investments	3,502,012	1,656,087
British Columbia Housing Management Commission ("BCHMC") Replacement Reserve Fund - cash (note 2(f)(i))	493,496	458,820
Capital assets (note 3)	6,783,270	7,251,317
	<u>\$ 14,818,347</u>	<u>\$ 14,482,264</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 4,196,657	\$ 3,987,217
Current portion of mortgages payable (note 5)	901,657	331,845
Deferred revenue (note 6)	1,359,200	1,061,812
	<u>6,457,514</u>	<u>5,380,874</u>
Mortgages payable (note 5)	4,063,799	4,965,686
Deferred liabilities	235,324	271,577
Deferred contributions:		
BCHMC Replacement Reserve Fund (note 7)	493,496	458,820
Capital assets (note 8)	315,964	315,964
Autism Spectrum Disorder Research and Development Fund (note 9)	61,867	61,867
	<u>871,327</u>	<u>836,651</u>
	<u>11,627,964</u>	<u>11,454,788</u>
Net assets:		
Replacement Reserve Fund (note 2(f)(ii))	461,511	429,432
Invested in capital assets	2,080,991	2,216,963
Building Fund	989,577	989,577
Unrestricted deficit	(341,696)	(608,496)
	<u>3,190,383</u>	<u>3,027,476</u>
	<u>\$ 14,818,347</u>	<u>\$ 14,482,264</u>

Lease commitments (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Celso Boscarior, President



Nicole Moore, Treasurer

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
<b>Revenue:</b>		
Community Living British Columbia / Ministry of Children and Family	\$ 27,548,296	\$ 26,334,147
Tenant rent	1,439,479	1,372,959
BCHMC rental subsidy and other payments	493,695	488,484
Private contracts	226,407	342,740
Interest income	93,799	92,552
Clothes drop	177,835	144,856
Other	234,353	219,037
	<u>30,213,864</u>	<u>28,994,775</u>
<b>Expenses:</b>		
Salaries, wages and benefits	22,110,196	21,362,010
Professional fees and shared living fees	3,551,931	3,601,312
Building costs	1,871,255	1,731,057
Program and equipment	1,692,815	1,605,226
Amortization of capital assets	523,292	386,428
Mortgage interest	170,475	178,958
Office expenses	131,313	126,163
	<u>30,051,277</u>	<u>28,991,154</u>
Excess of revenue over expenses before the undernoted	162,587	3,621
Gain on disposal of capital assets	320	11,551
Excess of revenue over expenses	<u>\$ 162,907</u>	<u>\$ 15,172</u>

See accompanying notes to financial statements.

# POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

March 31, 2018	Replacement Reserve Fund	Invested in capital assets	Building Fund	Unrestricted deficit	Total
Balance, beginning of year	\$ 429,432	\$ 2,216,963	\$ 989,577	\$ (608,496)	\$ 3,027,476
Excess (deficiency) of revenue over expenses	-	(522,972)	-	685,879	162,907
Mortgage principal payments	-	332,075	-	(332,075)	-
Transfer to vehicle replacement reserve	32,079	-	-	(32,079)	-
Capital asset additions and disposals	-	54,925	-	(54,925)	-
<b>Balance, end of year</b>	<b>\$ 461,511</b>	<b>\$ 2,080,991</b>	<b>\$ 989,577</b>	<b>\$ (341,696)</b>	<b>\$ 3,190,383</b>

  

March 31, 2017	Replacement Reserve Fund	Invested in capital assets	Building Fund	Unrestricted deficit	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)	-
<b>Balance, end of year</b>	<b>\$ 429,432</b>	<b>\$ 2,216,963</b>	<b>\$ 989,577</b>	<b>\$ (608,496)</b>	<b>\$ 3,027,476</b>

See accompanying notes to financial statements.

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Cash flow from operating activities:		
Excess of revenue over expenses	\$ 162,907	\$ 15,172
Items not affecting cash:		
Amortization of capital assets	523,292	386,428
Gain on disposal of capital assets	(320)	(11,551)
Deferred revenue recognized in current year	(311,433)	(407,515)
	374,446	(17,466)
Changes in non-cash operating working capital items:		
Accounts receivable	(1,518)	14,187
Prepaid expenses and deposits	(71,728)	(14,632)
Accounts payable and accrued liabilities	209,440	(57,034)
Deferred revenue received in current year	608,821	203,472
Deferred liabilities	(36,253)	229,104
	1,083,208	357,631
Cash flow from investing activities:		
Purchase of capital assets	(55,245)	(504,923)
Proceeds from disposal of capital assets	320	19,742
Replacement reserve fund used	-	(3,434)
Redemption (purchase) of investments (net)	(163,205)	607,284
	(218,130)	118,669
Cash flow from financing activities:		
Mortgage principal repayments	(332,075)	(322,328)
Increase in cash and cash equivalents	533,003	153,972
Cash and cash equivalents, beginning of year	2,052,657	1,898,685
Cash and cash equivalents, end of year	\$ 2,585,660	\$ 2,052,657
Supplemental cash flow information:		
Change in BCHMC replacement reserve fund and related restricted cash (note 7)	\$ 34,676	\$ 33,884

See accompanying notes to financial statements.

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2018

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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 (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 transitioned to the new Act as of October 2, 2017.

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 impairment, not exceeding the initial carrying value.



# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2018

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## 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

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# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2018

## 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.

### (i) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

## 3. Capital assets:

March 31, 2018	Cost	Accumulated amortization	Net book value
Residential properties	\$ 10,103,422	\$ 3,946,109	\$ 6,157,313
Equipment and furnishings	362,206	302,134	60,072
Vehicles	917,128	731,629	185,499
Leasehold improvements	680,280	299,894	380,386
	<u>\$ 12,063,036</u>	<u>\$ 5,279,766</u>	<u>\$ 6,783,270</u>

# POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2018

### 3. Capital assets (continued):

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

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$319,444 (2017 - \$302,644).

### 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	2018	2017
Vancity	3.73%	\$ 5,417	September 18, 2019	\$ 959,204	\$ 988,267
BMO	2.99% - 3.05%	1,135 to 1,625	August 1, 2018 - January 1, 2019	444,854	478,554
CMHC	2.17% - 3.51%	915 to 2,084	September 1, 2018 - August 1, 2024	1,030,694	1,154,761
First National	3.53%	19,725	August 1, 2023	2,530,704	2,675,949
				4,965,456	5,297,531
Less current portion				901,657	331,845
				\$ 4,063,799	\$ 4,965,686

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

2019	\$ 341,881
2020	352,952
2021	364,456
2022	376,327
2023	388,624
Thereafter	3,141,216
	\$ 4,965,456

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, 2018

## 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:

	2018	2017
Balance, beginning of year	\$ 1,061,812	\$ 1,265,855
Net additions to deferred revenue	608,821	203,472
Amounts previously deferred and recognized as revenue	(311,433)	(407,515)
	\$ 1,359,200	\$ 1,061,812

## 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:

	2018	2017
Balance, beginning of year	\$ 458,820	\$ 424,936
Contributions for the year from BCHMC	102,516	67,111
Interest earned	4,912	2,219
Expenditures for the year	(72,752)	(35,446)
Balance, end of year	\$ 493,496	\$ 458,820

## 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:

	2018	2017
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, 2018

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## 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:

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2019	\$	627,751
2020		573,839
2021		577,082
2022		532,949
2023		444,025
Thereafter		140,383
	\$	2,896,029

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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 \$1,314,000 (2017 - \$1,284,000) 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 320,800 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, 2018

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## **13. Remuneration:**

For the fiscal year ending 2018, the Association paid total remuneration of \$1,056,165 (2017 - \$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.