

Financial Statements of

**POSSIBILITIES ASSOCIATION OF
BRITISH COLUMBIA**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To Members of PosAbilities Association of British Columbia

Opinion

We have audited the financial statements of PosAbilities Association of British Columbia (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 31, 2020

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

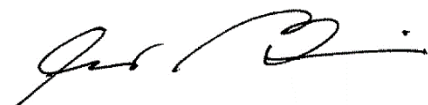
Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,137,306	\$ 2,097,180
Short-term investments	3,727,329	4,117,934
Accounts receivable	123,298	170,663
Prepaid expenses and deposits	169,625	208,661
	<u>7,157,558</u>	<u>6,594,438</u>
Investments	1,912,751	1,647,143
Investment in associate	100	-
British Columbia Housing Management Commission ("BCHMC") Replacement Reserve Fund - cash (note 2(f)(i))	601,257	545,635
Capital assets (note 3)	5,847,017	6,284,323
	<u>\$ 15,518,683</u>	<u>\$ 15,071,539</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 4,951,038	4,407,625
Current portion of mortgages payable (note 5)	576,892	1,358,805
Deferred revenue (note 6)	1,660,447	1,575,395
	<u>7,188,377</u>	<u>7,341,825</u>
Mortgages payable (note 5)	3,692,163	3,265,103
Deferred liabilities	159,021	199,072
Deferred contributions:		
BCHMC Replacement Reserve Fund (note 7)	601,257	545,635
Capital assets (note 8)	378,576	315,964
Autism Spectrum Disorder Research and Development Fund (note 9)	61,867	61,867
	<u>1,041,700</u>	<u>923,466</u>
	<u>12,081,261</u>	<u>11,729,466</u>
Net assets:		
Replacement Reserve Fund (note 2(f)(ii))	503,123	474,170
Invested in capital assets	1,779,173	1,924,238
Building Fund	989,577	989,577
Unrestricted surplus (deficit)	165,549	(45,912)
	<u>3,437,422</u>	<u>3,342,073</u>
Lease commitments (note 10)		
	<u>\$ 15,518,683</u>	<u>\$ 15,071,539</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Celso Boscaroli, President



Nicole Moore, Treasurer

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Community Living British Columbia / Ministry of Children and Family	\$ 30,509,547	\$ 28,858,682
Tenant rent	1,499,201	1,479,490
BCHMC rental subsidy and other payments	320,901	445,656
Private contracts	319,739	267,835
Amortization of Deferred contributions-capital assets	20,870	-
Interest income	179,632	143,764
Clothes drop	-	132,207
Other	272,132	273,902
	<u>33,122,022</u>	<u>31,601,536</u>
Expenses:		
Salaries, wages and benefits	24,707,404	23,199,406
Professional fees and shared living fees	3,896,472	3,624,445
Building costs	1,800,080	1,929,893
Program and equipment	1,824,280	1,835,913
Amortization of capital assets	535,312	549,438
Mortgage interest	151,778	161,537
Office expenses	133,756	151,075
	<u>33,049,082</u>	<u>31,451,707</u>
Excess of revenue over expenses before the undernoted	72,940	149,829
Gain on disposal of capital assets	22,409	21,952
Excess of revenue over expenses	<u>\$ 95,349</u>	<u>\$ 171,781</u>

See accompanying notes to financial statements.

POSSIBILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Replacement Reserve Fund	Invested in capital assets	Building Fund	Unrestricted deficit	Total
2020					
Balance, beginning of year	\$ 474,170	\$ 1,924,238	\$ 989,577	\$ (45,912)	\$ 3,342,073
Excess (deficiency) of					
revenue over expenses	-	(512,903)	-	608,252	95,349
Mortgage principal payments	-	354,853	-	(354,853)	-
Transfer to vehicle replacement reserve	28,953	-	-	(28,953)	-
Amortization of deferred contributions	-	20,870	-	(20,870)	-
Additions to deferred contributions	-	(83,482)	-	83,482	-
Capital asset additions and disposals	-	75,597	-	(75,597)	-
Balance, end of year	\$ 503,123	\$ 1,779,173	\$ 989,577	\$ 165,549	\$ 3,437,422

	Replacement Reserve Fund	Invested in capital assets	Building Fund	Unrestricted deficit	Total
2019					
Balance, beginning of year	\$ 461,511	\$ 2,080,991	\$ 989,577	\$ (341,696)	\$ 3,190,383
Expense charge to the replacement reserve fund	(20,091)	-	-	-	(20,091)
Excess (deficiency) of					
revenue over expenses	-	(549,438)	-	721,219	171,781
Mortgage principal payments	-	341,548	-	(341,548)	-
Transfer to vehicle replacement reserve	32,750	-	-	(32,750)	-
Capital asset additions and disposals	-	51,137	-	(51,137)	-
Balance, end of year	\$ 474,170	\$ 1,924,238	\$ 989,577	\$ (45,912)	\$ 3,342,073

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Cash flow from operating activities:		
Excess of revenue over expenses	\$ 95,349	\$ 171,781
Items not affecting cash:		
Amortization of capital assets	535,312	549,438
Amortization of deferred contributions - capital assets	(20,870)	-
Gain on disposal of capital assets	(22,409)	(21,952)
Deferred revenue recognized in current year	(773,456)	(724,632)
	(186,074)	(25,365)
Changes in non-cash operating working capital items:		
Accounts receivable	47,365	(32,353)
Prepaid expenses and deposits	39,036	56,938
Accounts payable and accrued liabilities	543,413	210,968
Deferred revenue received in current year	858,508	940,827
Deferred liabilities	(40,051)	(36,252)
	1,262,197	1,114,763
Cash flow from investing activities:		
Purchase of capital assets	(102,110)	(51,137)
Proceeds from disposal of capital assets	26,513	22,598
Replacement reserve fund used	-	(20,091)
Proceeds on sale (purchase) of investments, net	124,997	(1,213,065)
Purchase of investment in associate	(100)	-
	49,300	(1,261,695)
Cash flow from financing activities:		
Deferred contributions receipts – capital assets	83,482	-
Mortgage principal repayments	(354,853)	(341,548)
	(271,371)	(341,548)
Increase (decrease) in cash and cash equivalents	1,040,126	(488,480)
Cash and cash equivalents, beginning of year	2,097,180	2,585,660
Cash and cash equivalents, end of year	\$ 3,137,306	\$ 2,097,180
Supplemental cash flow information:		
Change in BCHMC replacement reserve fund and related restricted cash (note 7)	\$ 55,622	\$ 52,139

See accompanying notes to financial statements.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2020

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, 2020

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, 2020

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.

Effective April 1, 2019, the Association adopted the new guidance in Section 4433, *Tangible Capital Assets Held by Not-for-Profit Organizations*. Section 4433 directs organizations to apply the accounting guidance of Section 3061, *Property Plant and Equipment*, in Part II of the CPA Canada Handbook. In so doing, the new Section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components. This Section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019. The implementation of this change had no impact on these financial statements.

(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.

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

(i) Investment in associate:

The Association accounts for its investment in for-profit companies in which it has significant influence by the equity method. The Company's proportionate share of earnings (loss) as reported is included in earnings and is added to (deducted from) the cost of the investment.

The Association has significant influence in Degrees of Change Design Inc., a for-profit company incorporated under the Business Corporations Act in which the Association has a 25% equity interest (2019 - 0%). The company is not yet active.

3. Capital assets:

2020	Cost	Accumulated amortization	Net book value
Residential properties	\$ 10,103,422	\$ 4,642,511	\$ 5,460,911
Equipment and furnishings	316,169	287,822	28,347
Vehicles	893,365	771,807	121,558
Leasehold improvements	673,270	437,069	236,201
	\$ 11,986,226	\$ 6,139,209	\$ 5,847,017

2019	Cost	Accumulated amortization	Net book value
Residential properties	\$ 10,103,422	\$ 4,287,658	\$ 5,815,764
Equipment and furnishings	313,024	291,563	21,461
Vehicles	898,688	757,904	140,784
Leasehold improvements	680,280	373,966	306,314
	\$ 11,995,414	\$ 5,711,091	\$ 6,284,323

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$349,313 (2019 - \$347,202).

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2020

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	2020	2019
Vancity	3.80%	\$ 5,435	September 18, 2024	\$ 894,996	\$ 929,049
BMO	1.90% - 3.70%	1,158 - 1,637	August 1, 2023 - January 1, 2024	377,414	411,375
CMHC	1.73% - 3.43%	915 - 1,997	June 1, 2020 - July 1, 2027	772,131	903,196
First National	3.53%	19,725	August 1, 2023	2,224,514	2,380,288
				4,269,055	4,623,908
Less current portion				576,892	1,358,805
				\$ 3,692,163	\$ 3,265,103

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

2021	\$ 364,672
2022	376,106
2023	387,958
2024	399,956
2025	370,875
Thereafter	2,369,488
	\$ 4,269,055

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:

	2020	2019
Balance, beginning of year	\$ 1,575,395	\$ 1,359,200
Net additions to deferred revenue	858,508	940,827
Amounts previously deferred and recognized as revenue	(773,456)	(724,632)
Balance, end of year	\$ 1,660,447	\$ 1,575,395

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2020

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:

	2020	2019
Balance, beginning of year	\$ 545,635	\$ 493,496
Contributions for the year from BCHMC	102,516	102,516
Interest earned	8,830	7,103
Expenditures for the year	(55,724)	(57,480)
Balance, end of year	\$ 601,257	\$ 545,635

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:

	2020	2019
Balance, beginning of year	\$ 315,964	\$ 315,964
Contributions for the year	83,482	-
Amounts amortized to revenue	(20,870)	-
Balance, end of year	\$ 378,576	\$ 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:

2021	\$ 678,941
2022	627,912
2023	566,830
2024	175,643
2025	-
	\$ 2,049,326

POSABILITIES ASSOCIATION OF BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2020

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.

(c) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable costs. The Association manages its liquidity risk by monitoring its operating requirements. The Association also has a \$500,000 operating line which is payable on demand with interest at prime plus 1.5%. No amount was drawn on the operating line as at March 31, 2020 or March 31, 2019.

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 \$1,581,771 (2019 - \$1,373,947) 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, 2018 indicated the Plan's basic account was 105.1% funded with actuarial assets of \$58.53 billion and actuarial liabilities of \$55.66 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The Plan covers approximately 330,000 active, inactive, and retired members. The next actuarial valuation will be as at December 31, 2021 with results expected later in 2022.

13. Remuneration:

For the fiscal year ending March 31, 2020, the Association paid total remuneration of \$1,148,527 (2019 - \$1,091,619) to the 10 highest paid employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.