Chilliwack Community Services

SHARE•GROW•BELONG

Financial Statements and Independent Auditors' Report thereon

Year ended March 31, 2019

KPMG LLP
200-9123 Mary Street
Chilliwack BC V2P 4H7
Canada
Telephone 604-793-4700
Fax 604-793-4747

INDEPENDENT AUDITORS' REPORT

To the Members of Chilliwack Community Services

Opinion

We have audited the financial statements of Chilliwack Community Services (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in 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, 2019, 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.

- 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 by Chilliwack Community Services 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 period.

KPMG LLP

Chartered Professional Accountants

Chilliwack, Canada
June 12, 2019

Chilliwack Community Services
SHARE·GROW·BELONG

Statement of Financial Position
March 31, 2019, with comparative information for 2018

		2019		2018
Assets				
Current assets:				
Cash	$	917,981	$	884,782
Restricted cash (note 2)		2,068,748		831,442
Accounts receivable		312,238		268,196
Prepaid expenses and deposits		31,472		48,002
		3,330,439		2,032,422
Capital assets (note 3)		350,627		544,711
	$	3,681,066	$	2,577,133
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accruals (note 5)	$	274,654	$	293,874
Accrued salaries and benefits		102,429		215,811
Deferred income		217,447		301,492
Current portion of deferred gain (note 14)		225,300		-
		819,830		811,177
Deferred contributions related to capital assets (note 6)		-		1,650
Deferred gain on sale leaseback (note 14)		714,178		-
		1,534,008		812,827
Net assets:				
Invested in capital assets (note 7)		350,627		543,061
Internally restricted (note 10)		1,927,389		800,000
Externally restricted		152,973		131,442
Unrestricted		(283,931)		289,803
		2,147,058		1,764,306
Commitments (note 8)				
Contingent liability (note 15)				
	$	3,681,066	$	2,577,133

See accompanying notes to financial statements.

Approved by the Directors:

Chilliwack Community Services

SHARE·GROW·BELONG

Statement of Operations

Year ended March 31, 2019 with comparative information for 2018

	Budget	2019	2018
Revenue:			
Contracts:			
Provincial government:			
Children and Family Development	$ 1,871,430	$ 1,894,663	$ 1,842,499
Jobs, Innovation and Tourism	22,500	97,500	90,000
Justice	140,183	145,843	171,416
Immigration, Refugees and Citizenship Canada	572,373	572,372	565,374
Health Canada	145,743	145,743	145,742
BC Housing Management Commission	316,964	316,968	308,688
Fraser Health Region	35,600	36,716	36,716
GT Hiring	1,021,136	907,505	1,018,183
Other contracts	178,515	157,883	155,202
Grants:			
City of Chilliwack	116,400	116,400	116,400
Other	130,420	126,467	165,227
Donations	478,615	429,429	396,743
Fundraising	122,750	125,300	102,750
Trailing fees	7,000	11,400	8,800
Rental income	176,528	176,814	176,324
Gaming	105,070	116,941	114,014
Fees for services	382,500	405,570	408,226
Other	-	26,442	3,450
	5,823,727	5,809,956	5,825,754
Expenses:			
Salaries and benefits	4,219,348	4,066,529	3,984,332
Program expenses (note 16)	1,114,796	1,089,311	1,146,718
Facilities expenses (note 16)	440,511	395,523	344,222
Amortization	48,906	60,781	89,688
Amortization of deferred contributions	-	(1,650)	(4,111)
	5,823,561	5,610,494	5,560,849
Earnings before the undernoted	166	199,462	264,905
Other income (expenses):			
Gain on disposal of capital asset (note 14)	-	183,290	729,394
Write-down of capital assets	-	-	(87,919)
	-	183,290	641,475
Excess of revenue over expenses	$ 166	$ 382,752	$ 906,380

See accompanying notes to financial statements.

Chilliwack Community Services
SHARE·GROW·BELONG

Statement of Changes in Net Assets
Year ended March 31, 2019 with comparative information for 2018

	Unrestricted	Internally restricted	Externally restricted	Invested in capital assets	2019	2018
Balance, beginning of year	$ 289,803	$ 800,000	$ 131,442	$ 543,061	$ 1,764,306	$ 857,926
Excess of revenue over expenditures	233,433	27,389	(2,229)	124,159	382,752	906,380
Net change in investment in capital assets (note 7)	316,593	-	-	(316,593)	-	-
Replacement reserve	(23,760)	-	23,760	-	-	-
Transfer of funds (note 10)	(1,100,000)	1,100,000	-	-	-	-
Balance, end of year	$ (283,931)	$ 1,927,389	$ 152,973	$ 350,627	$ 2,147,058	$ 1,764,306

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating		
Earnings from operations	$ 382,752	$ 906,380
Items not involving cash:		
Amortization	60,781	89,688
Amortization of deferred capital contributions	(1,650)	(4,111)
Gain on disposal of capital assets	(183,290)	(729,394)
Write-down of capital assets	-	87,919
Changes in working capital accounts		
Accounts receivable	(44,061)	31,778
Prepaid expenses and deposits	16,531	2,204
Accounts payable and accruals	(19,223)	159,334
Accrued salaries and benefits	(113,382)	106,229
Deferred income	(84,045)	130,254
	14,413	780,281
Financing		
Repayment of long-term debt	-	(311,995)
Investing		
Acquisition of capital assets	(11,724)	(71,999)
Increase in restricted cash	(1,237,286)	(716,581)
Proceeds on disposition of capital assets	1,267,796	1,045,550
	18,786	256,970
Increase in cash	33,199	725,256
Cash, beginning of year	884,782	159,526
Cash, end of year	$ 917,981	$ 884,782

See accompanying notes to financial statements.

Nature of operations:

Chilliwack Community Services (the "Society") is a non-profit society incorporated under the Societies Act of British Columbia and is a registered charitable organization. The Society provides a variety of community related social services for individuals and families within the City of Chilliwack and the surrounding area. The financial statements include all of the operations of the General and Capital Funds of the Society. All significant inter-fund transactions have been eliminated.

1. Significant accounting policies:

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions, which includes donations and government grants.

Under various Acts and regulations thereto, the Society is funded by the Canadian Federal Government and the Province of British Columbia in accordance with contract arrangements established by various Ministries. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. These financial statements reflect agreed arrangements approved by the respective funding agencies for the year ended March 31, 2019.

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.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital asset.

Revenues from fees, other contracts and sales of goods are recognized when the services are provided or the goods are sold.

Gifts-in-kind represent contributions of advertising, gifts, supplies, promotional materials and other miscellaneous items which would otherwise be paid for by the Society and are recorded at their estimated fair value at the time of receipt when such value can be reasonably determined.

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Minor capital additions are expensed as a program cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its net realizable value.

Capital assets are amortized on a straight-line basis as follows:

Buildings	25-45 years
Office and program equipment	5 years
Computer equipment	4 years
Furniture and fixtures	5 years
Leasehold improvements	10 years

(c) Income taxes:

The Society is a registered charity and is exempt from federal and provincial income taxes.

(d) Restricted net assets:

Internally restricted net assets represent reserves for future expenditures, and can only be used through direction provided by the board of directors.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates relate to the provision for uncollectible accounts receivable, useful lives of capital assets for amortization, determination of provisions for contingent liabilities and donations of gifts-in-kind. Actual results could differ from these estimates.

1. Significant accounting policies (continued):

(f) 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 Society has not elected to carry such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred and amortized on the same basis as the financial instrument.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there are indicators of impairment, the Society 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 Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Restricted cash:

	2019	2018
Externally restricted for Village replacement reserve	$ 152,973	$ 131,442
Internally restricted for new building	1,915,775	700,000
	$ 2,068,748	$ 831,442

3. Capital assets:

	2019	2018
Cost		
Land	$ -	$ 113,797
Buildings	400,000	1,058,873
Office and program equipment	105,219	105,218
Computer equipment	271,686	259,962
Furniture and fixtures	51,095	67,820
Leasehold improvements	6,000	299,063
	834,000	1,904,733
Accumulated amortization		
Buildings	71,508	685,820
Office and program equipment	103,774	103,294
Computer equipment	250,996	233,331
Furniture and fixtures	51,095	67,820
Leasehold improvements	6,000	269,757
	483,373	1,360,022
	$ 350,627	$ 544,711

Included in buildings is a 35 year prepaid lease with two 10 year and one 5 year renewal options at $1 per annum for the School Street location commencing January 7, 2011 with a cost of $400,000 (2018 - $400,000) and accumulated amortization based on 45 years of $71,508 (2018 - $62,570).

4. Bank indebtedness:

The Society has an approved line of credit of $400,000 (2018 - $400,000) with interest at prime plus 0.5% secured by a general security agreement. This line of credit was not being utilized as at March 31, 2019 (2018 - nil).

5. Accounts payable and accruals:

Included in accounts payable are government remittances for WorkSafe BC totalling $6,161 (2018 - $6,940) and amounts related to payroll taxes of $33,298 (2018 - nil).

6. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purpose of acquiring capital assets. The amortization of deferred contributions is disclosed as a credit to expenses in the statement of operations.

	2019	2018
Balance, beginning of year	$ 1,650	$ 272,269
Less amounts amortized to revenue	(1,650)	(4,111)
Less amounts amortized to gain on sale of property	-	(266,508)
	$ -	$ 1,650

7. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2019	2018
Capital assets	$ 350,627	$ 544,711
Amounts financed by deferred contributions	-	(1,650)
	$ 350,627	$ 543,061

Change in net assets invested in capital assets is calculated as follows:

	2019	2018
(a) Excess (deficiency) of revenue over expenditures:		
Amortization of deferred capital contributions	$ 1,650	$ 4,111
Amortization of capital assets	(60,781)	(89,688)
Gain on disposal of capital assets	183,290	729,394
Write-down of capital assets	-	(87,919)
	124,159	555,898
(b) Net change in investment in capital assets:		
Capital assets acquired	11,724	71,999
Deferred gain on sale leaseback	939,480	-
Principal repayments on long-term debt	-	311,995
Net proceeds from disposal of capital assets	(1,267,797)	(1,045,550)
	(316,593)	(661,556)

8. Commitments:

The Society is committed to payments under operating leases as follows:

	Equipment	Premises
2020	$ 1,217	$ 173,240
2021	-	173,240
2024	-	78,000
2023	-	78,000
2024	-	13,000

The first lease for premises for a period of 5 years will be expiring on March 31, 2021 with a renewal option for a further 2 year term at amounts agreed to with the lessor. A second lease for premises will be expiring on May 31, 2023 and has a renewal option for a further 5 year term at an amount agreed to with the lessor.

9. Related party transactions:

During the year, the Society paid $7,504 (2018 - $4,927) for professional services to a partnership of which a director of the Society is a partner.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Internally restricted funds:

In fiscal 2007, the board of directors approved the transfer of $100,000 of equity to an internally restricted fund to be used for the acquisition and development of a youth housing project. In fiscal 2018, the transfer of $700,000 from the sale of a building was also approved by the board to be used for the Paramount Project, a seniors and young adults housing and office project. During the 2019 year the board of directors approved the transfer of an additional amount of $1,100,000 from the sale of a building to be used for the Paramount Project. The Paramount Project is in development with significant capital and facility planning having been completed and it is expected that construction will begin in fiscal 2020. The Society is awaiting confirmation of the funding of the housing portion of the building. The reserve is designated for the office portions of the Paramount Facility which the Society is entirely responsible for in terms of its construction and the costs.

In accordance with Board policy, the amounts plus any interest thereon, have been internally restricted until such time as the Board determines their appropriate use.

11. Pension plan:

The Society and its employees contribute to the Municipal Pension Plan (Plan), a jointly trusteed pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Plan as at December 31, 2015, indicated a $2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, $1,927 million was transferred to the rate stabilization account and $297 million of the surplus ensured the required contribution rates remained unchanged. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The Society paid $201,499 (2018 - $183,455) for employer contributions while the employees contributed $174,985 (2018 - $158,942) to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2018, with results available in 2019.

12. Financial risks and concentration of risks:

a) Credit risk:

Credit risk is the risk of economic loss arising from a party's failure to repay or service debt according to contractual terms. Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash and receivables. The Society has deposited cash and restricted cash with reputable financial institutions from which management believes the risk of loss to be remote. The Society has receivables from services performed and grants receivable from various bodies of the Government of Canada and the Province of British Columbia. Management does not believe there is a significant credit risk. The Society monitors, on a regular basis, the credit risk to which the Society is exposed in relation to its financial assets and takes steps to minimize the risk of loss. There has been no change in the risk exposures from 2018.

b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

13. Remuneration of employees:

Remuneration in excess of $75,000 was paid to three (2018 - two) individuals ranging from $123,194 to $148,645 (2018 - ranging from $111,288 to $139,275) for a total of $401,817 (2018 - $250,563).

14. Deferred gain on sale leaseback:

During the year, the Society sold its Wellington property and entered into a lease agreement to lease the property for a five year term. As a result of this agreement, the gain on the sale of the property is being amortized on a straight line basis over the duration of the lease period.

Deferred gain on sale leaseback is calculated as follows:

	2019	2018
Gain on sale for buildings leased back	$ 1,122,191	$ -
Less, recorded in income	182,713	-
	939,478	-
Current portion	225,300	-
Long-term portion	$ 714,178	$ -

15. Contingent liability:

Certain claims exist against the Society which the Society has provided for. Any variation in payment of these claims are not expected to have a material impact on the financial position or operating results of the Society. Any differences in the claims once settled will be recorded in the year of settlement.

Chilliwack Community Services
SHARE·GROW·BELONG

16. Program and facilities expenses:

	2019	2018
Program expenses:		
Advertising	$ 21,807	$ 27,383
Accounting and legal	76,875	50,953
Bad debts	673	994
Bank charges and interest	8,977	8,139
Computer systems and maintenance	73,792	152,474
Equipment repairs and maintenance	73,908	93,366
Non-recoverable sales tax	26,966	26,869
Membership fees	13,598	10,915
Miscellaneous	37,850	30,325
Program materials and supplies	500,137	471,429
Office supplies	8,500	15,739
Program travel	10,644	11,527
Professional development	31,685	39,215
Telephone	51,883	54,327
Travel	33,782	26,613
Volunteer recognition and training	4,276	11,189
Volunteer mileage reimbursement	113,958	115,261
	1,089,311	1,146,718
Facilities expenses:		
Insurance	7,787	11,929
Interest on long-term debt	-	3,665
Janitorial and supplies	7,675	10,425
Property taxes	1,678	1,627
Rent	254,372	185,580
Repairs and maintenance	45,739	51,867
Utilities	78,272	79,129
	$ 395,523	$ 344,222