



Financial Statements

March 31, 2023

To the Members of Chilliwack Community Services:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chilliwack Community Services (the "Society"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, and the results of its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society 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.

Other Matter

The financial statements for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on June 15, 2022.

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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Society 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, these principals have been applied on a basis consistent with that of the preceding year.

Chilliwack, British Columbia

June 14, 2023

MNP LLP

Chartered Professional Accountants

**Statement of Financial Position
March 31, 2023**

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	1,022,818	1,299,044
Restricted cash (Note 2)	3,810,130	2,733,792
Accounts receivable	401,731	611,966
Marketable securities	-	319,462
Prepaid expenses and deposits	48,262	38,007
	5,282,941	5,002,271
Capital assets (Note 3)	14,443,149	3,892,177
	19,726,090	8,894,448
Liabilities		
Current liabilities		
Accounts payable and accruals (Note 5)	1,574,398	887,998
Accrued salaries and benefits	119,984	105,433
Deferred income	1,001,386	1,152,336
Current portion of deferred gain (Note 15)	38,280	225,300
	2,734,048	2,371,067
Long-term debt (Note 6)	11,610,941	1,407,478
Deferred gain on disposition of assets (Note 15)	-	38,280
Deferred contributions related to capital assets (Note 7)	272,379	288,759
	14,617,368	4,105,584
Net Assets		
Invested in capital assets (Note 8)	1,623,382	2,195,940
Internally restricted (Note 11)	3,605,800	2,550,049
Externally restricted	204,330	183,743
Unrestricted	(324,790)	(140,868)
	5,108,722	4,788,864
	19,726,090	8,894,448

Commitments (Note 9)

Approved by the Directors:




Statement of Operations
Year ended March 31, 2023

	Budget	2023	(Note 16) 2022
Revenue			
Contracts:			
Provincial Government			
Children and Family Development	2,498,413	2,281,071	2,411,744
Education	-	193,515	-
Advanced Education and Skills Training	202,960	137,367	217,740
Justice	180,236	183,513	174,986
Municipal Affairs	119,114	242,000	159,860
BC Housing Management Commission	475,953	481,931	385,275
Immigration, Refugees and Citizenship Canada	1,004,650	1,109,101	964,654
Health Canada	145,743	145,743	145,743
Justice Canada	-	2,745	23,314
Fraser Health Region	36,716	36,716	36,716
Other contracts	553,753	482,290	517,490
Grants:			
City of Chilliwack	193,271	210,477	193,271
Other	218,655	499,247	480,005
Donations	645,728	807,343	570,365
Fundraising	139,000	136,500	129,650
Trailing fees	-	3,700	-
Rental income	174,940	172,400	167,229
Gaming	107,000	123,791	85,926
Fees for services	105,000	144,575	169,369
Interest	-	75,280	16,847
Recovery of prior year surplus	-	-	41,057
	6,801,132	7,469,305	6,891,241
Expenses			
Salaries and benefits	5,088,870	4,988,339	4,606,329
Program expenses (Note 17)	1,371,477	1,962,908	1,726,886
Facilities expenses (Note 17)	321,113	391,806	353,936
Amortization	64,745	77,070	51,945
Amortization of deferred capital contributions	(45,376)	(45,376)	(16,839)
	6,800,829	7,374,747	6,722,257
Earnings before the undernoted	303	94,558	168,984
Other income			
Gain on disposal of capital assets	-	225,300	225,810
Excess of revenue over expenses	303	319,858	394,794

**Statements of Changes in Net Assets
Year ended March 31, 2023**

	Unrestricted	Internally Restricted	Externally Restricted	Invested in Capital Assets	2023	2022
Balance, beginning of year	(140,868)	2,550,049	183,743	2,195,940	4,788,864	2,984,070
Excess (deficiency) of revenue over expenses	56,836	72,590	(3,173)	193,605	319,858	394,794
Net change in investment in capital assets	766,163	-	-	(766,163)	-	-
Contributed land (<i>Note 3</i>)	-	-	-	-	-	1,410,000
Replacement reserve	(23,760)	-	23,760	-	-	-
Transfer from staff training and education fund	16,839	(16,839)	-	-	-	-
Transfer of funds	(1,000,000)	1,000,000	-	-	-	-
Balance, end of year	(324,790)	3,605,800	204,330	1,623,382	5,108,722	4,788,864

**Statement of Cash Flows
Year ended March 31, 2023**

	2023	2022
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	319,858	394,794
Items not involving cash		
Amortization	77,070	51,945
Amortization of deferred capital contributions	(45,376)	(16,839)
Gain on disposal of capital assets	(225,300)	(225,810)
Changes in working capital accounts		
Accounts receivable	210,235	(190,682)
Prepaid expenses and deposits	(10,255)	(2,962)
Marketable securities	319,462	(2,164)
Accounts payable and accruals	686,398	417,225
Accrued salaries and benefits	14,552	(27,750)
Deferred income	(150,950)	208,598
	1,195,694	606,355
Financing		
Contributions related to capital assets	28,996	242,398
Proceeds from long-term debt	10,203,463	1,124,232
	10,232,459	1,366,630
Investing		
Acquisition of capital assets	(10,628,042)	(1,837,627)
Proceeds on disposition capital assets	-	510
Increase in restricted cash	(1,076,338)	(9,950)
	(11,704,380)	(1,847,067)
Increase (decrease) in cash resources	(276,227)	125,918
Cash resources, beginning of period	1,299,044	1,173,126
Cash resources, end of period	1,022,817	1,299,044
Non-cash transaction:		
Contribution of land credited directly to equity (Note 3)	-	1,410,000

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, 2023.

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.

b) Cash and cash equivalents:

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

c) 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 lower of cost and 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

d) Income taxes:

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

e) 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.

f) Contributed materials and services:

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Society's operations and would otherwise have been purchased.

g) Financial instruments:

The Society recognizes financial instruments when the Society becomes a party to the contractual provisions of the financial instrument.

Arm's length financial instruments -

Financial instruments originated/acquired or issued/assumed in an arm's length transaction are initially recorded at their fair value.

At initial recognition, the Society may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Society has not made such an election during the year.

The Society subsequently measures investments in equity instruments that are quoted in an active market at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at cost or amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment -

The Society assesses impairment of all its financial assets measured at cost or amortized cost. The Society groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset group. Management considers whether the issuer is having significant financial difficulty in determining whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Society reverses impairment losses on financial assets when there is a decrease in the impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenues over expenses in the year the reversal occurs.

Measurement uncertainty (use of estimates) -

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimate useful lives of capital assets.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

2. Restricted cash

	2023	2022
Externally restricted for Village replacement reserve	204,330	183,743
Internally restricted for new building	3,605,800	2,550,049
	3,810,130	2,733,792

3. Capital assets

	2023	2022
Cost		
Land	1,410,000	1,410,000
Buildings	400,000	400,000
Equipment	70,683	99,309
Computer equipment	284,423	467,923
Furniture and fixtures	25,925	51,095
Leasehold improvements	-	6,000
Construction in progress	12,589,211	1,961,169
	14,780,242	4,395,496
Accumulated amortization		
Buildings	107,263	98,324
Equipment	59,130	83,905
Computer equipment	144,775	263,995
Furniture and fixtures	25,925	51,095
Leasehold improvements	-	6,000
	337,093	503,319
	14,443,149	3,892,177

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 (2022 - \$400,000) and accumulated amortization based on 45 years of \$107,263 (2022 - \$98,324).

4. Bank indebtedness

The Society has an approved line of credit of \$400,000 (2022 - \$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, 2023 (2022 - nil).

5. Accounts payable and accruals

Included in accounts payable are government remittances for WorkSafe BC totalling \$16,789 (2022 - \$12,908) and amounts related to payroll taxes of \$53,611 (2022 - nil) and employer health tax of \$23,408 (2022 - nil).

6. Long-term debt

Long-term debt consists of the following loans:

	2023	2022
BC Housing - forgivable loan, without interest, forgiven at the rate of 1/25th of the principal amount each year starting in the 11th year after completion, secured by land and building at 46187 Yale Road, Chilliwack	7,107,471	1,407,478
BC Housing - repayable loan, interest at 4.85% calculated monthly, to be refinanced upon completion of the building, secured by land and building at 46187 Yale Road, Chilliwack	4,503,470	-
	11,610,941	1,407,478

7. 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.

	2023	2022
Balance, beginning of year	288,759	63,200
Amount of contributions during the year	28,996	242,398
Amounts amortized to revenue	(45,376)	(16,839)
	272,379	288,759

8. Investment in capital assets

Investment in capital assets is calculated as follows:

	2023	2022
Capital assets	14,443,149	3,892,177
Amounts financed by deferred contributions	(272,379)	(288,759)
Amounts financed by accounts payable	(936,446)	-
Amounts financed by debt	(11,610,941)	(1,407,478)
	1,623,383	2,195,940

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

	2023	2022
Excess (deficiency) of revenue over expenditures:		
Amortization of deferred capital contributions	45,376	16,839
Amortization of capital assets	(77,070)	(51,945)
Gain on disposal of capital assets	225,300	225,810
	193,606	190,704
Net change in investment in capital assets		
Capital assets acquired	10,628,042	1,837,627
Capital accounts payable	(936,446)	-
Proceeds from long-term debt	(10,203,463)	(1,124,232)
Contributions related to capital assets	(28,996)	(242,398)
Deferred gain on disposal	(225,300)	(225,300)
Net proceeds from disposal of capital assets	-	(510)
	(766,163)	245,187

9. Commitments

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

	Premises
2024	277,147
2025	31,667

The first lease for premises is for a period of 2 years beginning April 1, 2023 and will be expiring on March 31, 2024 and has 2 renewal options for a further 1 year term each at amounts agreed to with the lessor. A second lease for premises is for a period of 1 year beginning May 31, 2023 will be expiring on May 31, 2024.

In January 2022 the Society entered into a \$21,954,270 contract for the construction of a new residential and commercial building under an agreement with BC Housing to provide affordable housing with construction financing provided by BC Housing. Completion of the building is expected in early 2024.

10. Related party transactions

As at March 31, 2023, the Society has term deposit and GIC investments totaling \$3,718,395 (2022 - \$2,961,154) with an investment firm of which a director of the Society is a senior advisor in the firm. The Society's investments are managed by an independent investment advisor. These investments 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.

During the year, the Society paid \$22,239 (2022 - \$8,641) 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.

11. Internally restricted funds

In fiscal 2007, the board of directors approved the transfer of \$100,000 of net assets 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 and another \$225,000 in 2020 and \$225,300 in 2021 from the sale of a building and another \$1,000,000 in 2023 to be used for the Paramount Project. The Paramount Project is in development with significant capital and facility planning having been completed and construction started during the current fiscal year now that the Society has received 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.

The board approved the transfer of \$100,000 in 2021 for a staff training and education fund. During the current year \$16,839 (2022 - \$2,164) was paid from this fund.

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.

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 2022.

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 2022.

13. Pension plan

The Society and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee 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 defined pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2021 the Plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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 actuarial valuation as at December 31, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2024, with results available in 2025.

The Society paid \$201,213 (2022 - \$219,013) for employer contributions while the employees contributed \$186,198 (2022 - \$205,836) to the Plan in fiscal 2023.

Employers participating in the Plan record their pension expense as an 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 allocation the obligation, assets and cost to individual employers participating in the Plan.

14. Remuneration of employees

Remuneration in excess of \$75,000 was paid to ten (2022 - seven) individuals ranging from \$77,160 to \$117,450 (2022 - ranging from \$80,091 to \$108,890) for a total of \$923,429 (2022 - \$617,878).

15. Deferred gain on sale leaseback

During the 2019 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 of leaseback is calculated as follows:

	2023	2022
Gain on sale for building leased back	1,122,191	1,122,191
Less, recorded in income	1,083,911	858,611
	38,280	263,580
Current portion	38,280	225,300
Long-term portion	-	38,280

16. Comparatives

Certain of the comparative figures have been reclassified to conform to the current presentation.

17. Program and facilities expense details

	2023	(Note 16) 2022
Program expenses		
Advertising	22,413	21,910
Accounting and legal	73,115	39,755
Bad debts	19,224	475
Bank charges and interest	10,094	8,507
Computer systems and maintenance	138,725	128,123
Equipment repairs and maintenance	60,454	53,002
Non-recoverable sales tax	27,274	28,151
Membership fees	9,374	17,583
Miscellaneous	15,066	35,513
Program materials and supplies	587,416	540,534
Office supplies	21,206	12,901
Program travel	13,487	8,522
Professional development	56,537	34,615
Subcontracted services	823,523	678,985
Telephone	55,025	60,077
Travel	34,947	22,409
Volunteer recognition and training	1,800	3,647
Volunteer mileage reimbursement	46,696	53,211
Administration recoveries	(53,468)	(21,034)
	1,962,908	1,726,886
Facilities expenses		
Insurance	32,372	8,397
Janitorial and supplies	15,650	9,610
Property taxes	-	2,003
Rent	223,836	210,710
Repairs and maintenance	31,858	44,210
Utilities	88,090	79,006
	391,806	353,936