

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

A Not-For-Profit Organization

FINANCIAL STATEMENTS

March 31, 2018

GBCO

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INDEPENDENT AUDITORS' REPORT

To the Members of Kiwassa Neighbourhood Services Association:

We have audited the accompanying financial statements of Kiwassa Neighbourhood Services Association which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets, cash flows for the year then ended, and 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.

Auditors' 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 the auditor's 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, the auditor considers 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 Kiwassa Neighbourhood Services Association as at March 31, 2018 and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations. As required by the Societies Act of British Columbia we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Galloway Botteselle & Company

Chartered Professional Accountants
Vancouver, BC
Canada
September 26, 2018

GALLOWAY
BOTTESELLE
& COMPANY
Chartered Professional Accountants

Accounting for
what matters™

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

STATEMENT OF OPERATIONS

For the year ended March 31, 2018

	2018	%	2017	%
Revenue				
Province of BC	\$ 1,315,868	31.1	1,355,317	33.5
User fees	1,124,641	26.6	1,052,902	26.1
Government of Canada	562,185	13.3	489,516	12.1
City of Vancouver	265,291	6.3	233,371	5.8
Hastings Entertainment	217,667	5.2	229,263	5.7
United Way	186,232	4.4	128,258	3.2
Vancouver Coastal Health	123,361	2.9	121,897	3.0
Gaming revenue	91,602	2.2	91,656	2.3
Fundraising and grants	61,204	1.4	75,441	1.9
Donations	40,520	1.0	16,341	0.4
Recognition of prior year deferred revenue	35,736	0.8	65,673	1.6
BC Housing	24,725	0.6	19,488	0.5
Vancouver Foundation	24,300	0.6	11,500	0.3
Rental income	20,185	0.5	22,355	0.6
Administration fees (Note 15)	17,469	0.4	30,167	0.7
Investment income	7,758	0.2	5,652	0.1
Kiwassa Endowment Fund	3,007	-	2,883	-
	<u>4,121,751</u>	<u>97.5</u>	<u>3,951,680</u>	<u>97.8</u>
Less: contributions received for capital purchases	(34,121)	-	(51,159)	-
Add: amortization of deferred contributions related to property and equipment	137,116	2.5	134,831	3.5
	<u>4,224,746</u>	<u>100.0</u>	<u>4,035,352</u>	<u>101.3</u>
Expenses				
Salaries and benefits (Note 10)	3,258,687	77.1	3,408,144	84.5
Program supplies and expenses	261,508	6.2	221,317	5.5
Building and equipment	101,786	2.4	66,026	1.6
Janitorial	78,772	1.9	79,294	2.0
Office supplies and printing	46,701	1.1	39,345	1.0
Utilities and rent	43,504	1.0	42,961	1.1
Transportation	39,604	0.9	48,941	1.2
Insurance	32,040	0.8	31,577	0.8
Telephone	23,580	0.6	25,352	0.6
Professional development	17,209	0.4	15,895	0.4
Advertising and program development	15,956	0.4	10,006	0.2
Professional fees	13,380	0.3	28,669	0.7
Bank charges	12,463	0.3	11,373	0.3
Volunteer expenses	12,198	0.3	43,952	1.1
Van support	10,996	0.3	11,065	0.3
Organizational dues	1,197	-	2,401	0.1
	<u>3,969,581</u>	<u>94.0</u>	<u>4,086,318</u>	<u>101.4</u>
Amortization of property and equipment	156,890	3.7	136,760	3.4
	<u>4,126,471</u>	<u>97.7</u>	<u>4,223,078</u>	<u>104.8</u>
Excess (deficiency) of revenue over expenses	\$ 98,275	2.3	(187,726)	(3.5)

See accompanying notes and schedules

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS
For the year ended March 31, 2018

	Invested in Capital Assets	Internally Restricted	Unrestricted	2018	2017
Balance, beginning of year	\$ 166,748	277,429	2,983	447,160	634,886
Prior period adjustment (Note 13)	-	3,167	-	3,167	-
As restated	166,748	280,596	2,983	450,327	634,886
Investment in capital assets	10,500	-	(10,500)	-	-
Excess (deficiency) of revenue over expenses	(19,774)	2,557	115,492	98,275	(187,726)
Internally imposed restrictions (Note 9)	-	85,211	(85,211)	-	-
Net transfers to replacement reserve	-	516	(516)	-	-
Balance, end of year	\$ 157,474	368,880	22,248	548,602	447,160

See accompanying notes and schedules

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

	2018	2017
ASSETS		
Current		
Cash	\$ 433,601	367,668
Accounts receivable (Note 4)	429,217	363,324
Prepaid expenses	<u>18,530</u>	<u>12,177</u>
	881,348	743,169
Tangible capital assets (Note 5)	<u>2,369,062</u>	<u>2,486,330</u>
	\$ 3,250,410	3,229,499
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ <u>239,146</u>	<u>327,407</u>
DEFERRED CONTRIBUTIONS		
Operating (Note 7)	245,000	126,108
Related to capital assets (Note 8)	<u>2,217,662</u>	<u>2,325,657</u>
	2,462,662	2,451,765
NET ASSETS		
Invested in tangible capital assets	157,474	166,748
Internally restricted (Note 9)	368,880	280,596
Unrestricted	<u>22,248</u>	<u>2,983</u>
	548,602	450,327
	\$ 3,250,410	3,229,499

See accompanying notes and schedules

Approved on behalf of the board:


Stewart Anderson - President


Shirin Moshir Fatemi - Treasurer

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

STATEMENT OF CASH FLOWS

For the year ended March 31, 2018

	2018	2017
CASH PROVIDED BY:		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 98,275	(187,726)
Non-cash items:		
Amortization - net	19,774	1,929
Gain on disposal of capital assets	(1,756)	-
	<u>116,293</u>	<u>(185,797)</u>
Changes in non-cash working capital:		
Accounts receivable	(65,893)	82,238
Prepaid expenses	(6,353)	(949)
Accounts payable and accrued liabilities	(88,261)	137,135
Deferred operating contributions	118,892	(22,786)
	<u>74,678</u>	<u>9,841</u>
Financing activities		
Deferred contributions related to property and equipment	34,121	51,159
	<u>34,121</u>	<u>51,159</u>
Investing activities		
Acquisition of tangible capital assets	(44,622)	(51,159)
Disposition of equipment	1,756	-
	<u>(42,866)</u>	<u>(51,159)</u>
Change in cash	65,933	9,841
Cash, beginning of year	367,668	357,827
Cash, end of year	\$ 433,601	367,668

See accompanying notes and schedules

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

Note 1 Purpose of the organization

Kiwassa Neighbourhood Services Association is incorporated under the Societies Act of British Columbia as a not-for-profit organization and is a registered charity under the *Income Tax Act*.

The Association operates Kiwassa Neighbourhood House in East Vancouver, BC. Its philosophy is based on the belief that its community members should expect and receive community-based program services. Kiwassa Neighbourhood House provides programs and services that educate and empower people so that they may participate productively in their community. Kiwassa Neighbourhood House fosters personal, social and community development.

The Association's mission is to strive to identify areas and issues of greatest need within its targeted community. Kiwassa Neighbourhood House initiates programs and services to meet these needs. It strives to bring its neighbours together, encouraging them to share their experiences and friendship with each other. Kiwassa Neighbourhood House works cooperatively with other agencies to identify, develop and support programs and services offered elsewhere in its community, as well as those offered by the Association.

Note 2 Accounting policies

The financial statements of the Association have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and incorporate the following significant accounting policies:

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Amortization of tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided for using the straight line method over the following periods:

	<u>Amortization Period (Years)</u>
Buildings	60
Automotive equipment	6
Computer equipment	4
Equipment, furniture and fixtures	10

The original cost of the building and subsequent additions and improvements are being amortized on a basis such that they will be fully amortized in 2051.

Use of estimates

The preparation of financial statements require 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

Note 2 Accounting policies (cont.)

All financial assets are classified as held for trading; all financial liabilities are classified as other financial liabilities.

Contributed services

Volunteers contribute a significant number of hours annually assisting Kiwassa Neighbourhood Services Association in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Note 3 Bank indebtedness

The Association has a line of credit arranged with the Vancity Credit Union to cover periodic cash shortfalls to a maximum of \$150,000. The line of credit is secured by a promissory note signed by the directors of the Association. Interest is charged on the outstanding balance at the rate of bank prime plus 2.00%.

Note 4 Accounts receivable

	<u>2018</u>	<u>2017</u>
Accounts receivable - programs	\$ 369,987	347,049
Goods and services taxes recoverable	9,961	4,875
Due from Kiwassa Housing Society	<u>49,269</u>	<u>11,400</u>
	<u>\$ 429,217</u>	<u>363,324</u>

Note 5 Tangible capital assets

		<u>2018</u>	<u>2017</u>
	Cost	Accumulated amortization	Net book value
		Net book value	Net book value
Building			
Kiwassa Neighbourhood House	\$ 2,656,367	1,043,857	1,612,510
Building - Harbourview Daycare	1,091,909	436,873	655,036
Equipment, furniture and fixtures	404,921	373,998	30,923
Equipment, furniture and fixtures Harbourview	84,072	45,753	38,319
Computer equipment	66,299	43,650	22,649
Automotive equipment	13,500	3,875	9,625
	<u>\$ 4,317,068</u>	<u>1,948,006</u>	<u>2,369,062</u>
			<u>2,486,330</u>

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

Note 6 Accounts payable and accrued liabilities

	<u>2018</u>	<u>2017</u>
Accounts payable and payroll liabilities	\$ 215,899	304,696
Accrued liabilities	14,920	14,445
Due to government agencies	8,327	8,266
	<u>\$ 239,146</u>	<u>327,407</u>

Note 7 Deferred operating contributions

Operating contributions received by the Association which are subject to external restrictions requiring them to be dedicated to subsequent year program expenditures have been deferred. Changes in deferred operating contributions are as follows:

	<u>Balance</u> <u>beginning of year</u>	<u>Received/</u> <u>deferred</u>	<u>Recognized/</u> <u>Transferred</u>	<u>Balance</u> <u>end of year</u>
Prepaid program funds	\$ 15,224	39,246	(15,224)	39,246
Employment support program (formerly Community Connections)	41,195	-	-	41,195
Children's & Preteen program	12,756	44,797	-	57,553
Youth Action Committee	6,599	-	(6,599)	-
Youth Program	-	-	6,599	6,599
Harbourview PAC	7,754	-	-	7,754
Hastings North Literacy Plan	5,620	10,972	-	16,592
Nobody's Perfect program	2,512	1,811	(2,512)	1,811
Pre-teen program	18,000	-	(18,000)	-
Chimo Terrace Youth	16,448	1,269	-	17,717
Community Partnerships	-	13,083	-	13,083
Hastings North Community Project	-	43,450	-	43,450
	<u>\$ 126,108</u>	<u>154,628</u>	<u>(35,736)</u>	<u>245,000</u>

Note 8 Deferred contributions related to capital assets

Deferred contributions related to capital assets represent contributions received by the Association dedicated to the acquisition of property and equipment. The contributions are amortized at rates equal to those of the underlying acquired assets.

	<u>2018</u>	<u>2017</u>
Opening balance	\$ 2,325,657	2,409,329
Contributions received	34,121	51,159
	<u>2,359,778</u>	<u>2,460,488</u>
Amounts amortized to revenue	(142,116)	(134,831)
	<u>\$ 2,217,662</u>	<u>2,325,657</u>

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

Note 9 Internally restricted net assets

The Association has restricted net assets to provide for future year program operations, community initiatives and building and equipment repairs and replacement. The internally restricted amounts are funded by appropriations of unrestricted net assets as authorized by the Board of Directors. Total internally restricted amounts are comprised of:

	<u>2018</u>	<u>2017</u>
Building and equipment repairs and replacement	\$ 96,051	95,534
Van operations	37,599	35,042
Program operations	<u>235,230</u>	<u>150,020</u>
Balance at end of year	<u>\$ 368,880</u>	<u>280,596</u>

Note 10 Remuneration to directors, employees and contractors

The directors of the Association provide their services on a volunteer basis and receive no remuneration.

Two of the employees and contractors of the Association received remuneration equal to or in excess of \$75,000 in the aggregate amount of \$228,267 during the year ended March 31, 2018 (2017 - \$94,000).

Note 11 Kiwassa Community Endowment Fund

In its 2012 fiscal year the Association established an endowment fund with Vancouver Foundation known as the Kiwassa Community Endowment Fund. The capital of the fund is held permanently in trust by the Vancouver Foundation. The endowment is invested, with the income paid at least annually to Kiwassa Neighbourhood Services Association to fund community based programs as long as the Association is a registered charity.

As the Vancouver Foundation controls the endowment the principal is not included on the statement of financial position. As of March 31, 2018 the endowment had a fair market value of \$84,404 (2017 - \$84,578).

Note 12 Economic dependence

The Association is economically dependent on government funding, which represents 58.2% (2017 - 59.3%) of total operating revenue.

Note 13 Prior period adjustment

In fiscal year 2017 two programs having shared services and costs required a transfer of \$3,167 from deferred operating contributions to internally restricted fund but was not recorded.

A prior period adjustment was made to increase prior year internally restricted fund balance by \$3,167 and decrease the deferred operating contributions by the same amount.

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

Note 14 Financial instruments

Fair value

The carrying amount of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these items.

The carrying amount of the long-term account receivable approximates its fair value because it is valued at the estimated net recoverable amount.

Credit risk

The Association's financial assets that are exposed to credit risk are cash, accounts receivable and long-term accounts receivable. Credit risk associated with cash is minimized by investing excess funds in guaranteed investment certificates and by holding cash resources in institutions rated R1 by the Dominion Bond Rating Service. Credit risk associated with short-term and long-term accounts receivable is minimized by limiting the granting of credit to related societies and by only performing program services in advance of funding once a firm commitment has been received from the funder.

Note 15 Related party transactions

Administration fees include \$17,469 that was received from Kiwassa Housing Society (2017 - \$30,167), a related society. The fees are charged in the ordinary course of operations.

KIWASSA NEIGHBOURHOOD SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

Note 16 Controlled entity

The Association controls the Kiwassa Housing Society through a common Board of Directors. The Kiwassa Housing Society operates social housing projects through contracts with the British Columbia Housing Management Commission. The Kiwassa Housing Society is incorporated under the Societies Act of British Columbia and is a non-profit organization under the Income Tax Act (Canada).

The accounts of the Kiwassa Housing Society have not been consolidated in these financial statements as it is believed that separate note disclosure provides a more meaningful presentation of activities.

A financial summary of the Kiwassa Housing Society as at March 31 follows:

	<u>2018</u>	<u>2017</u>
Financial position		
Total assets	\$ 5,405,830	5,635,678
Total liabilities	<u>4,986,965</u>	<u>5,237,738</u>
Net assets	418,865	397,940
Results of operations		
Revenues	\$ 812,515	752,091
Expenses	791,590	763,412
Cash flows		
Operating activities	\$ 290,692	249,546
Financing activities	(265,590)	(258,356)

All assets of the Kiwassa Housing Society are required, under the terms of operating contracts with the BC Housing Management Commission, to be used solely for its operations.

Note 17 Comparative figures

Certain 2017 comparative figures have been reclassified to conform with the method of presentation adopted for the current year.

