

KIWASSA HOUSING SOCIETY

A Not-For-Profit Organization

FINANCIAL INFORMATION

March 31, 2022

GBCO

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INDEPENDENT AUDITORS' REPORT

To the members of Kiwassa Housing Society:

Qualified Opinion

We have audited the accompanying financial statements of Kiwassa Housing Society ("the Society"), which comprises the statement of financial position as at March 31, 2022, and the statement of operations, statement of changes in net assets and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2022, 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 (ASNPO).

Basis for qualified opinion

As discussed in Note 2, the Society amortizes its property at a rate equal to the annual principal reduction of the related mortgages under agreements with the British Columbia Housing Management Commission. This constitutes a departure from accounting standards for not-for-profit organizations. Based on a straight line method over the terms of the underlying land leases, amortization should be decreased and excess of revenue over expenses for the current year should be increased by \$166,051 (2021 - \$159,138), and property and capital fund balances should be increased by \$845,256 (2021 - \$679,205).

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 qualified 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 ASNPO, 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 management 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 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 Foundation'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 auditors' report. However, future events or conditions may cause the Foundation 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.

We 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 Society 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.



Chartered Professional Accountants
Vancouver, BC
September 6, 2022



KIWASSA HOUSING SOCIETY

STATEMENT OF OPERATIONS

For the year ended March 31, 2022

	Housing Fund	Replacement Reserve	Capital Fund	2022	2021
Revenue					
Tenant rent contributions	\$ 574,432	-	-	574,432	555,186
BC Housing subsidies	244,199	-	-	244,199	257,860
Loan forgiveness (note 8)	91,262	-	-	91,262	91,262
Grants	44,840	-	-	44,840	79,951
Laundry	5,214	-	-	5,214	7,572
BC Housing special payments	-	-	-	-	7,000
Interest	948	2,135	-	3,083	4,275
	<u>960,895</u>	<u>2,135</u>	<u>-</u>	<u>963,030</u>	<u>1,003,106</u>
Expenses					
Administration					
Administration	48,111	-	-	48,111	44,685
Debt service					
Amortization	391,253	-	-	391,253	384,340
Mortgage interest	87,203	-	-	87,203	94,136
Maintenance					
Building	78,907	74,635	-	153,542	136,651
Grounds	9,505	-	-	9,505	7,088
Salaries, wages and benefits	72,993	-	-	72,993	65,637
Service contracts	16,867	-	-	16,867	15,981
Utilities					
Gas, electricity and telephone	39,471	-	-	39,471	43,417
Sanitation	12,890	-	-	12,890	11,937
Water and sewer	55,968	-	-	55,968	28,989
Other					
Audit and legal fees	8,562	-	-	8,562	7,538
Bank charges	433	-	-	433	816
BCNPHA dues	847	-	-	847	832
Board and tenant development	39,200	-	-	39,200	18,345
Equipment rental	617	-	-	617	4,728
Insurance	47,222	-	-	47,222	41,028
Property taxes	50,880	-	-	50,880	44,222
	<u>960,929</u>	<u>74,635</u>	<u>-</u>	<u>1,035,564</u>	<u>950,370</u>
Excess (deficiency) of revenue over expenses	\$ (34)	(72,500)	-	(72,534)	52,736

See accompanying notes and schedules

KIWASSA HOUSING SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2022

	Housing Fund (page 12)	Replacement Reserve (page 13)	Capital Fund	2022	2021
Balance, beginning of year	\$ (11,399)	358,381	160,960	507,942	455,206
Excess of revenue over expenses	(34)	(72,500)	-	(72,534)	52,736
Transfer to replacement reserve	(83,358)	83,358	-	-	-
Balance, end of year	\$ (94,791)	369,239	160,960	435,408	507,942

See accompanying notes and schedules

KIWASSA HOUSING SOCIETY

STATEMENT OF FINANCIAL POSITION

As at March 31, 2022

	Housing Fund	Replacement Reserve	Capital Fund	2022	2021
ASSETS					
Current					
Cash	\$ -	-	-	-	78,308
Accounts receivable (Note 3)	19,054	-	-	19,054	37,064
Prepaid expenses	<u>34,889</u>	<u>-</u>	<u>-</u>	<u>34,889</u>	<u>36,584</u>
	53,943	-	-	53,943	151,956
Restricted cash (Note 4)	31,426	369,239	36,500	437,165	427,611
Capital assets (Note 5)	-	-	4,478,613	4,478,613	4,869,864
	\$ 85,369	369,239	4,515,113	4,969,721	5,449,431
LIABILITIES					
Current					
Bank indebtedness	\$ 8,852	-	-	8,852	-
Accounts payable and accruals					
Operating expenses (Note 6)	128,595	-	-	128,595	149,247
Mortgage interest	7,024	-	-	7,024	7,617
Deferred revenue (Note 7)	4,263	-	-	4,263	6,490
Security deposits	31,426	-	-	31,426	32,731
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>398,395</u>	<u>398,395</u>	<u>391,263</u>
	180,160	-	398,395	578,555	587,348
Long-term debt (Note 8)	-	-	3,955,758	3,955,758	4,354,141
	180,160	-	4,354,153	4,534,313	4,941,489
NET ASSETS					
Restricted					
Replacement reserves (Note 9)	-	369,239	-	369,239	358,381
Invested in capital assets	-	-	160,960	160,960	160,960
Housing fund	<u>(94,791)</u>	<u>-</u>	<u>-</u>	<u>(94,791)</u>	<u>(11,399)</u>
	(94,791)	369,239	160,960	435,408	507,942
	\$ 85,369	369,239	4,515,113	4,969,721	5,449,431

See accompanying notes and schedules

Approved:

DocuSigned by:

Shanthi Besso

President

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DocuSigned by:

Allison Parker

Treasurer

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KIWASSA HOUSING SOCIETY

STATEMENT OF CASH FLOWS

For the year ended March 31, 2022

	Housing Fund	Replacement Reserve	Capital Fund	2022	2021
CASH USED FOR:					
Operating activities					
BC Housing assistance received	\$ 241,972	-	-	241,972	242,978
Housing charges received	587,807	-	-	587,807	543,773
Other receipts	55,981	2,135	-	58,116	78,115
Payments for mortgage interest	(87,796)	-	-	(87,796)	(94,710)
Payments for operating expense	(501,774)	-	-	(501,774)	(438,133)
Inter-fund transfers	(83,358)	83,358	-	-	-
Replacement reserve expenses	-	(74,635)	-	(74,635)	(44,337)
	212,832	10,858	-	223,690	287,686
Financing activities					
Repayment of mortgage principal	(299,991)	-	-	(299,991)	(293,078)
	(299,991)	-	-	(299,991)	(293,078)
Investing activities					
Security deposits	(1,305)	-	-	(1,305)	222
	(1,305)	-	-	(1,305)	222
Change in cash	(88,464)	10,858	-	(77,606)	(5,170)
Cash, beginning of year	111,038	358,381	36,500	505,919	511,089
Cash, end of year	\$ 22,574	369,239	36,500	428,313	505,919
<i>See accompanying notes and schedules</i>					
Represented by:					
Cash (Deficit)	\$ (8,852)	\$ -	\$ -	(8,852)	78,308
Restricted cash	31,426	369,239	36,500	437,165	427,611
	\$ 22,574	369,239	36,500	428,313	505,919

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

Note 1 Purpose of the organization

The Society was incorporated under the Society Act of British Columbia on February 6, 1990, and is a registered charity under the Income Tax Act. The Society's purpose is to develop and operate British Columbia Housing Management Commission (BC Housing) social housing projects in Vancouver, BC.

Note 2 Significant accounting policies

The financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) except for specific policies as outlined by BC Housing, which require that properties are amortized at a rate equal to the annual principal reduction of the related mortgages. In this respect these financial statements are not, and are not intended to be, in accordance with ASNPO.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Society, the accounts of the Society are maintained in accordance with the principles of the fund accounting following the restricted fund method of accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board").

Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to their respective funds. These interfund transfers are recorded in the statement of changes in net assets.

The Housing Fund accounts for the Society's program delivery and administrative activities.

The Replacement Reserve Fund reports the assets, liabilities, revenues and expenses related to capital asset replacements. Inter-fund transfers are made for periodic allocation to the Replacement Reserve Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to the Society's capital assets.

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Housing Fund in the year in which related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Unrestricted contributions are recognized as revenue of the Housing Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Donations and gifts are recognized upon receipt.

Investment Income

Investment income includes interest income on term deposits.

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

Note 2 Significant accounting policies (cont.)

Amortization

Amortization of property is recorded corresponding to the principal portion of regular mortgage payments.

Capitalization of equipment and capital improvements

Equipment purchases and capital improvements that are funded by special contributions from BC Housing or other funders are expensed in the year expenditures are purchased and approved; the related revenue is recognized in the year received.

Net income - restricted net assets

Income and expenses attributable to restricted net assets are excluded from the statement of operations; such amounts are instead credited to the applicable net asset category.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and assumptions which can affect the reported balances for assets and liabilities. The Society relies on assumptions regarding prospects, general business and economic conditions that prevail in determining the net realizable values for its assets and liabilities. Assumptions for asset valuations are limited by the availability of reliable comparable data and uncertainty of predictions concerning the future. Estimated net realizable values may change by a material amount if the underlying assumptions change.

Financial instruments

The Society's financial instruments consist of cash and cash equivalent, accounts receivable, investments, accounts payable, and accrued liabilities. The Society initially measures all its financial assets and financial liabilities at cost or amortized cost, except for investments which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Note 3 Accounts receivable

	<u>2022</u>	<u>2021</u>
Due from tenants	\$ 6,494	19,869
Grant and other receivable	8,704	13,683
Goods and services tax recoverable	<u>3,856</u>	<u>3,512</u>
	<u>\$ 19,054</u>	<u>37,064</u>

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

Note 4 Restricted cash

Restricted cash is held in separate accounts under the terms of an agreement with BC Housing or other funders. The balances are not available for current operations and are comprised of the following:

	<u>2022</u>	<u>2021</u>
Replacement reserves	\$ 369,239	358,381
Security deposits	31,426	32,730
Operating account - capital project	<u>36,500</u>	<u>36,500</u>
	<u>\$ 437,165</u>	<u>427,611</u>

Note 5 Capital assets

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value 2022</u>	<u>2021</u>
May MacLean Place				
Leased land	\$ 554,400	-	554,400	554,400
Building and fixtures	2,143,539	2,014,569	128,970	253,154
Building envelope	898,052	269,415	628,637	718,442
Playground	<u>14,566</u>	<u>4,370</u>	<u>10,196</u>	<u>11,653</u>
	<u>3,610,557</u>	<u>2,288,354</u>	<u>1,322,203</u>	<u>1,537,649</u>

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value 2022</u>	<u>2021</u>
Norah Davis Gardens				
Leased land	\$ 1,248,494	-	1,248,494	1,248,494
Building and fixtures	<u>4,089,976</u>	<u>2,182,060</u>	<u>1,907,916</u>	<u>2,083,721</u>
	<u>5,338,470</u>	<u>2,182,060</u>	<u>3,156,410</u>	<u>3,332,215</u>
Total	<u>8,949,027</u>	<u>4,470,414</u>	<u>4,478,613</u>	<u>4,869,864</u>

Note 6 Accounts payable and accruals - operating expenses

	<u>2022</u>	<u>2021</u>
Accounts payable - trade	\$ 15,895	3,554
Accrued liabilities	7,500	7,500
Due to BC Housing	175	175
Due to Kiwassa Neighbourhood Services Association	<u>105,025</u>	<u>138,018</u>
	<u>\$ 128,595</u>	<u>149,247</u>

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

Note 7 Deferred revenue

	<u>2022</u>	<u>2021</u>
Housing subsidy payments received in advance	\$ <u>4,263</u>	<u>6,490</u>

Note 8 Long-term debt

	<u>2022</u>	<u>2021</u>
CMHC		
Mortgage repayable in monthly instalments of \$11,968 including interest at 2.60% per annum, secured by a first charge over the May MacLean Place land and building. Matures May 1, 2027.	\$ 683,372	807,554
BC Housing		
Forgivable loan advanced for building envelope repairs. The total amount advanced was \$912,618. The loan is forgivable at the rate of 1/10 per year of the total loan, on the anniversary date of the registration of the underlying mortgage. Loan is repayable in the event of default or in default of any terms outlined in the agreement.	638,833	730,094
MCAP		
Mortgage repayable in monthly instalments of \$20,348 including interest at 2.196% per annum, secured by a first charge over the Norah Davis Gardens land and building. Matures August 1, 2029.	<u>3,031,948</u>	3,207,756
	4,354,153	4,745,404
Principal payments due within one year	<u>398,395</u>	391,263
	\$ <u>3,955,758</u>	<u>4,354,141</u>

Estimated principal repayments due in each of the next five years are as follows:

2023	\$ 398,395
2024	405,698
2025	413,175
2026	420,832
2027	428,672
Thereafter	2,287,381

Note 9 Replacement reserves

Under the terms of the agreement with BC Housing, the Society is required to credit budgeted allocations to replacement reserves annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation; in investments guaranteed by a Canadian government or in other investment instruments as agreed upon with BC Housing. The reserve funds may only be used for capital repairs and replacements, in accordance with the operating agreement.

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

Note 10 Repayable assistance

The cumulative non-Rent-Geared-to-Income (non-RGI) assistance is contingently repayable to BCHMC in the event that the total non-RGI tenant rent contribution in any year exceeds the economic rent of the suites occupied by non-RGI tenants. The Society is required to commence repayment of the cumulative non-RGI assistance on the first day of the fiscal year following the fiscal year in which the preceding event occurs.

The balance then bears interest at bank prime and the required monthly payments are set annually, based upon the amount by which non-RGI tenant rent contribution exceeds economic rent for these suites in the prior year.

Repayable Assistance:	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 265,589	333,328
Repayment	(58,432)	(74,869)
Interest	<u>5,217</u>	<u>7,130</u>
Balance, end of year	<u>\$ 212,374</u>	<u>265,589</u>

Note 11 Related party transactions

The following amounts included in expenses, incurred in the ordinary course of operations, were paid to Kiwassa Neighbourhood Services Association, a related society. These amounts have been valued at the exchange amount which is the amount of consideration established and agreed to by the related parties. Both parties are related by virtue of common board of directors.

	<u>2022</u>	<u>2021</u>
Administration expenses	\$ 54,237	52,803

Note 12 Subsidy adjustments

BC Housing conducts an annual review of the financial statements and may adjust for any subsidy discrepancies between the Society and BC Housing. Prior year adjustments that have not been accrued are recognized in the fiscal year they are determined.

Note 13 Line of credit

The Society has arranged an operating line of credit to a maximum of \$30,000 through Vancouver City Savings Credit Union.

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

Note 14 Financial risks

The Society uses risk management to monitor and manage its risk arising from financial instruments. These risks include credit risk, interest rate risk and liquidity risk. The Society does not use any derivative financial instruments to mitigate these risks.

Credit risk

Credit risks arise from two sources: cash and cash equivalents, and accounts receivable. Cash and cash equivalents are deposited with reputable, major financial institutions to limit the credit risk exposure. The credit risk from counter parties not paying accounts receivable is not considered to be significant.

Interest rate risk

The Society is exposed to interest rate risk with respect to the following financial instruments: cash and cash equivalents, investments in interest bearing securities, and mortgage payable. Changes in interest rates can affect the fair value of investments and the cash flows related to interest income and expense.

Liquidity risk

Liquidity risk exposure is dependent on the receipt of funds from provincial government grants, tenant rents and other sources to enable the Society to pay its liabilities as they become due.

Note 15 Economic Dependence

The Society receives advances to cover cash shortfalls from Kiwassa Neighbourhood Services Association (KNSA), an entity controlled through a common Board of Directors. The balance payable to KNSA at March 31, 2022 was \$105,025 (2021 - \$138,018).

KIWASSA HOUSING SOCIETY**STATEMENT OF OPERATIONS - BY LOCATION**

For the year ended March 31, 2022

	May MacLean	Norah Davis	Total
Revenue			
Tenant rent contributions	\$ 165,440	408,992	574,432
BC Housing subsidies	169,497	74,702	244,199
BC Housing forgivable loans	91,262	-	91,262
Grants	13,959	30,881	44,840
Laundry	-	5,214	5,214
Interest	470	478	948
	<u>440,628</u>	<u>520,267</u>	<u>960,895</u>
Expenses			
Administration			
Administration	24,017	24,094	48,111
Debt service			
Amortization	215,445	175,808	391,253
Mortgage interest	19,156	68,047	87,203
Maintenance			
Building	36,136	42,771	78,907
Grounds	3,788	5,717	9,505
Salaries, wages and benefits	29,356	43,637	72,993
Service contracts	2,794	14,073	16,867
Utilities			
Gas, electricity and telephone	2,539	36,932	39,471
Sanitation	7,084	5,806	12,890
Water and sewer	21,791	34,177	55,968
Other			
Audit and legal fees	4,260	4,302	8,562
Bank charges	233	200	433
BCNPHA dues	421	426	847
Board and tenant improvement	16,100	23,100	39,200
Equipment rental	617	-	617
Insurance	18,090	29,132	47,222
Property taxes	8,275	42,605	50,880
	<u>410,102</u>	<u>550,827</u>	<u>960,929</u>
Excess of revenue over expenses	\$ 30,526	(30,560)	(34)
Transfers to replacement reserves	(44,872)	(38,486)	(83,358)
Net current surplus (deficit)	\$ (14,346)	(69,046)	(83,392)

See accompanying notes

KIWASSA HOUSING SOCIETY
STATEMENT OF CHANGES IN HOUSING FUND - BY LOCATION
For the year ended March 31, 2022

	May MacLean	Norah Davis	Total
Balance, beginning of year	\$ 35,054	(46,453)	(11,399)
Excess of revenue over expenses	30,526	(30,560)	(34)
Replacement reserve provision	(44,872)	(38,486)	(83,358)
Balance, end of year	\$ 20,708	(115,499)	(94,791)

See accompanying notes

KIWASSA HOUSING SOCIETY

STATEMENT OF CHANGES IN REPLACEMENT RESERVE - BY LOCATION

For the year ended March 31, 2022

	May MacLean	Norah Davis	Total
Balance, beginning of year	\$ 122,115	236,266	358,381
Transfer from operating fund	44,872	38,486	83,358
Interest income	<u>721</u>	<u>1,414</u>	<u>2,135</u>
	167,708	276,166	443,874
Less: expenditures	<u>(22,911)</u>	<u>(51,724)</u>	<u>(74,635)</u>
Balance, end of year	\$ 144,797	224,442	369,239

See accompanying notes