

KIWASSA HOUSING SOCIETY

A Not-For-Profit Organization

FINANCIAL STATEMENTS

March 31, 2021

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, 2021, 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, 2021, 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 \$159,138 (2020 - \$151,586), and property and capital fund balances should be increased by \$679,205 (2020 - \$520,067).

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.

Galloway Battaille & Company

Chartered Professional Accountants
Vancouver, BC
September 21, 2021

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KIWASSA HOUSING SOCIETY

STATEMENT OF OPERATIONS

For the year ended March 31, 2021

	Housing Fund	Replacement Reserve	Capital Fund	2021	2020
Revenue					
Tenant rent contributions	\$ 555,186	-	-	555,186	589,021
BC Housing subsidies	257,860	-	-	257,860	189,579
Loan forgiveness (note 8)	91,262	-	-	91,262	91,262
BC Housing special payments	7,000	-	-	7,000	104,588
Grants	43,451	-	36,500	79,951	-
Laundry	7,572	-	-	7,572	10,243
Interest	1,022	3,253	-	4,275	9,691
BC Ministry of Children and Families	-	-	-	-	610
	963,353	3,253	36,500	1,003,106	994,994
Expenses					
Administration	44,685	-	-	44,685	19,346
Debt service					
Amortization	384,340	-	-	384,340	376,787
Mortgage interest	94,136	-	-	94,136	102,261
Maintenance					
Salaries, wages and benefits	65,637	-	-	65,637	82,948
Building	92,314	44,337	-	136,651	87,440
Grounds	7,088	-	-	7,088	10,168
Service contracts	15,981	-	-	15,981	16,214
Utilities					
Gas, electricity and telephone	43,417	-	-	43,417	41,384
Water and sewer	28,989	-	-	28,989	31,422
Sanitation	11,937	-	-	11,937	9,031
Other					
Audit and legal fees	7,538	-	-	7,538	9,014
Bad debts	-	-	-	-	1,289
Board and tenant development	18,345	-	-	18,345	1,491
Equipment rental	4,728	-	-	4,728	2,065
BCNPHA dues	832	-	-	832	936
Insurance	41,028	-	-	41,028	36,128
Bank charges	816	-	-	816	530
Property taxes	44,222	-	-	44,222	44,557
Modernization and improvements	-	-	-	-	104,588
	906,033	44,337	-	950,370	977,599
Excess of revenue over expenses	\$ 57,320	(41,084)	36,500	52,736	17,395

See accompanying notes and schedules

KIWASSA HOUSING SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2021

	Housing Fund (page 12)	Replacement Reserve (page 13)	Capital Fund	2021	2020
Balance, beginning of year	\$ (20,335)	351,081	124,460	455,206	437,811
Excess of revenue over expenses	57,320	(41,084)	36,500	52,736	17,395
<u>Transfer to replacement reserve</u>	<u>(48,384)</u>	<u>48,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Balance, end of year</u>	<u>\$ (11,399)</u>	<u>358,381</u>	<u>160,960</u>	<u>507,942</u>	<u>455,206</u>

See accompanying notes and schedules

KIWASSA HOUSING SOCIETY

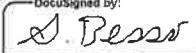
STATEMENT OF FINANCIAL POSITION

As at March 31, 2021

	Housing Fund	Replacement Reserve	Capital Fund	2021	2020
ASSETS					
Current					
Cash	\$ 78,308	-	-	78,308	127,499
Accounts receivable (Note 3)	37,064	-	-	37,064	13,553
Prepaid expenses	36,584	-	-	36,584	29,988
	151,956	-	-	151,956	171,040
Restricted cash (Note 4)	32,730	358,381	36,500	427,611	383,590
Capital assets (Note 5)	-	-	4,869,864	4,869,864	5,254,205
	\$ 184,686	358,381	4,906,364	5,449,431	5,808,835
LIABILITIES					
Current					
Accounts payable and accruals					
Operating expenses (Note 6)	\$ 149,247	-	-	149,247	154,812
Mortgage interest	7,617	-	-	7,617	8,191
Deferred revenue (Note 7)	6,490	-	-	6,490	28,372
Security deposits	32,731	-	-	32,731	32,509
Current portion of long-term debt	-	-	391,263	391,263	384,298
	196,085	-	391,263	587,348	608,182
Long-term debt (Note 8)	-	-	4,354,141	4,354,141	4,745,447
	196,085	-	4,745,404	4,941,489	5,353,629
NET ASSETS					
Restricted					
Replacement reserves (Note 9)	-	358,381	-	358,381	351,081
Invested in capital assets	-	-	160,960	160,960	124,460
Housing fund	(11,399)	-	-	(11,399)	(20,335)
	(11,399)	358,381	160,960	507,942	455,206
	\$ 184,686	358,381	4,906,364	5,449,431	5,808,835

See accompanying notes and schedules

Approved:

DocuSigned by:

 President
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 Treasurer
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KIWASSA HOUSING SOCIETY

STATEMENT OF CASH FLOWS

For the year ended March 31, 2021

	Housing Fund	Replacement Reserve	Capital Fund	2021	2020
CASH USED FOR:					
Operating activities					
BC Housing assistance received	\$ 242,978	-	-	242,978	294,167
Housing charges received	543,773	-	-	543,773	582,585
Other receipts	38,362	3,253	36,500	78,115	20,543
Payments for mortgage interest	(94,710)	-	-	(94,710)	(103,077)
Payments for operating expense	(438,133)	-	-	(438,133)	(401,544)
Inter-fund transfers	(48,384)	48,384	-	-	-
Replacement reserve expenses	-	(44,337)	-	(44,337)	(15,217)
	243,886	7,300	36,500	287,686	377,457
Financing activities					
Repayment of mortgage principal	(293,078)	-	-	(293,078)	(285,525)
Proceeds from forgivable loan	-	-	-	-	163,018
	(293,078)	-	-	(293,078)	(122,507)
Investing activities					
Capital asset additions	-	-	-	-	(163,018)
Security deposits	222	-	-	222	113
	222	-	-	222	(162,905)
Change in cash	(48,970)	7,300	36,500	(5,170)	92,045
Cash, beginning of year	160,008	351,081	-	511,089	419,044
Cash, end of year	\$ 111,038	358,381	36,500	505,919	511,089

See accompanying notes and schedules

Represented by:

Cash	\$ 78,308	\$ -	\$ -	78,308	127,499
Restricted cash	32,730	358,381	36,500	427,611	383,590
	\$ 111,038	358,381	36,500	505,919	511,089

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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

The Association follows the restricted fund method of accounting for contributions.

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.

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.

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

Note 2 Significant accounting policies (cont.)

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

	2021	2020
Due from tenants	\$ 19,869	8,456
Grant and other receivable	13,683	-
Goods and services tax recoverable	<u>3,512</u>	<u>5,097</u>
	<u>\$ 37,064</u>	<u>13,553</u>

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:

	2021	2020
Replacement reserves	\$ 358,381	351,081
Security deposits	32,730	32,509
Operating account - capital project	<u>36,500</u>	-
	<u>\$ 427,611</u>	<u>383,590</u>

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

Note 5 Capital assets

	<u>Cost</u>	Accumulated <u>amortization</u>	Net book value	
			<u>2021</u>	<u>2020</u>
May MacLean Place				
Leased land	\$ 554,400	-	554,400	554,400
Building and fixtures	2,143,539	1,890,385	253,154	374,221
Building envelope	898,052	179,610	718,442	808,247
Playground	<u>14,566</u>	<u>2,913</u>	<u>11,653</u>	<u>13,109</u>
	<u>3,610,557</u>	<u>2,072,908</u>	<u>1,537,649</u>	<u>1,749,977</u>
 Norah Davis Gardens				
Leased land	\$ 1,248,494	-	1,248,494	1,248,494
Building and fixtures	<u>4,089,976</u>	<u>2,006,255</u>	<u>2,083,721</u>	<u>2,255,734</u>
	<u>5,338,470</u>	<u>2,006,255</u>	<u>3,332,215</u>	<u>3,504,228</u>
Total	<u>8,949,027</u>	<u>4,079,163</u>	<u>4,869,864</u>	<u>5,254,205</u>

Note 6 Accounts payable and accruals - operating expenses

		<u>2021</u>	<u>2020</u>
Accounts payable - trade	\$ 3,554	17,973	
Accrued liabilities	7,500	7,500	
Due to BC Housing	175	9,504	
Due to Kiwassa Neighbourhood Services Association	<u>138,018</u>	<u>119,835</u>	
	<u>\$ 149,247</u>	<u>154,812</u>	

Note 7 Deferred revenue

		<u>2021</u>	<u>2020</u>
Housing subsidy payments received in advance	\$ <u>6,490</u>	<u>28,372</u>	

KIWASSA HOUSING SOCIETY

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

Note 8 Long-term debt

	<u>2021</u>	<u>2020</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.	\$ 807,554	928,622
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.	730,094	821,356
MCAP		
Mortgage repayable in monthly instalments of \$20,484 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>3,207,756</u> <u>4,745,404</u> <u>391,263</u> <u>\$ 4,354,141</u>	<u>3,379,767</u> <u>5,129,745</u> <u>384,298</u> <u>4,745,447</u>
Principal payments due within one year		

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

2022	\$ 391,263
2023	398,395
2024	405,698
2025	413,175
2026	420,832
Thereafter	2,716,041

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, 2021

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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 333,328	402,004
Repayment	(74,869)	(82,954)
Interest	7,130	14,278
 Balance, end of year	 \$ <u>265,589</u>	 333,328

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>2021</u>	<u>2020</u>
Administration expenses	\$ 52,803	26,723

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, 2021

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, 2021 was \$138,018 (2020 - \$119,835).

KIWASSA HOUSING SOCIETY
 STATEMENT OF OPERATIONS - BY LOCATION
 For the year ended March 31, 2021

	May MacLean	Norah Davis	Total
Revenue			
Tenant rent contributions	\$ 160,511	394,675	555,186
BC Housing subsidies	186,735	71,125	257,860
BC Housing special payments	-	7,000	7,000
BC Housing forgivable loans	91,262	-	91,262
Grants	14,361	29,090	43,451
Laundry	4,803	2,769	7,572
Interest	543	479	1,022
	<u>458,215</u>	<u>505,138</u>	<u>963,353</u>
Expenses			
Administration			
Administration	22,087	22,598	44,685
Debt service			
Amortization	212,330	172,010	384,340
Mortgage interest	22,284	71,852	94,136
Maintenance			
Salaries, wages and benefits	26,255	39,382	65,637
Building	32,542	59,772	92,314
Grounds	3,377	3,711	7,088
Service contracts	5,491	10,490	15,981
Utilities			
Gas, electricity and telephone	8,082	35,335	43,417
Water and sewer	13,025	15,964	28,989
Sanitation	7,101	4,836	11,937
Other			
Audit and legal fees	3,750	3,788	7,538
Bank charges	361	455	816
Board and tenant improvement	7,930	10,415	18,345
BCNPHA dues	414	418	832
Equipment rental	4,728	-	4,728
Insurance	15,709	25,319	41,028
Property taxes	9,365	34,857	44,222
	<u>394,831</u>	<u>511,202</u>	<u>906,033</u>
Excess of revenue over expenses	\$ 63,384	(6,064)	57,320
Transfers to replacement reserves	<u>(19,872)</u>	<u>(28,512)</u>	<u>(48,384)</u>
Net current surplus (deficit)	<u>\$ 43,512</u>	<u>(34,576)</u>	<u>8,936</u>

See accompanying notes

KIWASSA HOUSING SOCIETYSTATEMENT OF CHANGES IN HOUSING FUND - BY LOCATION
For the year ended March 31, 2021

	May MacLean	Norah Davis	Total
Balance, beginning of year	\$ (8,458)	(11,877)	(20,335)
Excess of revenue over expenses	63,384	(6,064)	57,320
Replacement reserve provision	(19,872)	(28,512)	(48,384)
Balance, end of year	\$ 35,054	(46,453)	(11,399)

See accompanying notes

KIWASSA HOUSING SOCIETY

STATEMENT OF CHANGES IN REPLACEMENT RESERVE - BY LOCATION

For the year ended March 31, 2021

	May MacLean	Norah Davis	Total
Balance, beginning of year	\$ 112,952	238,129	351,081
Transfer from operating fund	19,872	28,512	48,384
Interest income	765	2,488	3,253
	<hr/> 133,589	<hr/> 269,129	<hr/> 402,718
Less: expenditures	(11,474)	(32,863)	(44,337)
Balance, end of year	\$ 122,115	236,266	358,381

See accompanying notes