

Victoria Cool Aid Society
Financial Statements
Year Ended March 31, 2019

Independent Auditors' Report

To the Members of Victoria Cool Aid Society

Report on the Financial Statements

Opinion

We have audited the financial statements of Victoria Cool Aid Society (the "Society"), which comprise the statement of financial position as at March 31, 2019 and the statements of operations, changes in net assets and cash flows for the year end March 31, 2019 and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Victoria Cool Aid Society as at March 31, 2019 and the results of its operations, changes in net assets and cash flows for the year ended March 31, 2019 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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:



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

As required by the British Columbia Societies Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Dusanj & Wirk

Victoria, British Columbia
June 10, 2019

Chartered Professional Accountants



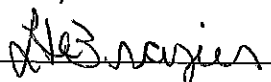
Victoria Cool Aid Society

Statement of Financial Position

As at March 31, 2019 with comparative figures for 2018

	2019	2018
	\$	\$
Assets		
Current:		
Cash and short-term investments (Note 3)	6,637,374	5,839,534
Accounts receivable	709,802	1,089,244
Inventory	156,154	126,481
Prepaid expenses (Note 4)	936,578	342,355
	<u>8,439,908</u>	<u>7,397,614</u>
Cash – Restricted Funds (Note 5)	1,563,053	1,724,825
Long-term accounts receivable (Note 6)	207,870	207,870
Prepaid leases (Note 7)	334,532	402,732
Property and equipment (Note 8)	36,096,025	35,938,005
	<u>46,641,388</u>	<u>45,671,046</u>
Total assets		
Liabilities		
Current:		
Bank loans payable (Note 9)	1,021,196	98,586
Accounts payable and accrued liabilities	2,132,534	2,080,954
Government remittances payable	358,649	285,264
Security deposits	129,851	131,154
Deferred contributions (Note 10)	3,888,844	3,451,751
Current portion of long-term debt (Note 14)	2,371,840	738,613
	<u>9,902,914</u>	<u>6,786,322</u>
Deferred contributions related to restricted funds (Note 11)	151,901	171,555
Deferred contributions related to land lease (Note 12)	85,358	109,746
Deferred contributions related to property and equipment (Note 13)	5,870,302	6,053,750
Long-term debt (Note 14)	15,560,640	17,934,078
Forgivable debt (Note 15)	10,460,398	10,306,677
	<u>42,031,513</u>	<u>41,362,128</u>
Total liabilities		
Net Assets		
Invested in property and equipment (Note 17)	1,875,277	1,863,519
Externally restricted replacement reserves – B.C. Housing (Note 5)	1,300,930	1,217,565
Internally restricted (Note 18)	1,325,453	1,325,039
Unrestricted	108,215	(97,205)
Total net assets	<u>4,609,875</u>	<u>4,308,918</u>
Total liabilities and net assets	<u>46,641,388</u>	<u>45,671,046</u>

Approved by the board:

 Director

 Director

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Statement of Operations

Year ended March 31, 2019 with comparative figures for 2018

	2019	2018
	\$	\$
Revenue		
B.C. Housing Management Commission	11,506,470	10,241,949
Pharmacy revenue	6,355,854	4,078,704
Island Health Authority	5,743,190	5,288,169
Rental income and occupancy fees	2,996,537	2,474,253
Donations & grants	1,000,666	797,495
Forensic Psychiatric Services Commission	804,569	757,431
Fees - Dental	621,366	650,221
Amortization of deferred contributions	376,194	358,205
Other	242,609	135,889
Research grants	158,200	156,423
Investment income	122,925	74,336
Gaming - Direct Access	102,723	100,000
United Way	80,000	145,000
CMHC Loan Forgiveness	35,239	36,738
	<u>30,146,542</u>	<u>25,294,813</u>
Expenses		
Salaries and benefits	15,826,640	14,247,906
Supplies and equipment - health centre	5,810,651	3,671,277
Building occupancy costs	2,677,605	2,392,096
Physician & Dentist fees	1,560,741	1,298,314
Program expense and client support	1,330,347	1,208,809
Amortization expense	1,170,556	1,127,607
Mortgage interest and loan fees	612,592	640,695
Office supplies, equipment and miscellaneous	252,941	177,764
Amounts transferred to replacement reserves	215,632	181,312
Advertising, promotion, and fundraising	162,390	127,173
Travel and vehicle expenses	126,592	91,313
Staff development and training	82,553	90,860
Bank charges and interest	58,592	18,118
Professional fees	36,276	48,467
Licenses, memberships and dues	30,375	26,899
	<u>29,954,483</u>	<u>25,348,610</u>
Excess (deficiency) of revenue over expenses from operations	192,059	(53,797)

Victoria Cool Aid Society

Statement of Changes in Net Assets

Year ended March 31, 2019 with comparative figures for 2018

	Invested in Property and Equipment <i>(Note 17)</i> \$	Externally Restricted B.C. Housing <i>(Schedule 1)</i> \$	Internally Restricted <i>(Note 18)</i> \$	Endowment Fund <i>(Note 19)</i> \$	Unrestricted \$	2019 Total \$	2018 Total \$
Balance, beginning of year	1,863,519	1,217,565	1,325,039	-	(97,205)	4,308,918	4,345,651
Allocation of income:							
Excess (deficiency) of revenues over expenses	-	-	-	-	192,059	192,059	(53,797)
Transfers between funds:							
Amortization of property and equipment, net	(707,206)	-	-	-	707,206	-	-
Interest income and bank charges	-	17,905	414	-	(18,319)	-	-
Investment in property and equipment <i>(Note 17)</i>	675,618	-	-	-	(675,618)	-	(13,842)
Transfers to (from) replacement reserves:							
Amounts expended to replacement reserve	-	(150,172)	-	-	92	(150,080)	(206,963)
Replacement reserve provision <i>(Note 4)</i>	-	215,632	-	-	-	215,632	181,312
Direct increases (decreases) to net assets:							
Endowment funds received <i>(Note 19)</i>	-	-	-	270	-	270	100
Endowment funds transferred <i>(Note 19)</i>	-	-	-	(270)	-	(270)	(100)
Contributions related to land	43,346	-	-	-	-	43,346	56,557
	11,758	83,365	414	-	205,420	300,957	(36,733)
Balance, end of year	1,875,277	1,300,930	1,325,453	-	108,215	4,609,875	4,308,918

Victoria Cool Aid Society

Statement of Cash Flows

Year ended March 31, 2019 with comparative figures for 2018

	2019	2018
	\$	\$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	192,059	(53,797)
Items not involving cash:		
Amortization	1,170,556	1,127,607
Amortization of deferred contributions	(376,194)	(358,205)
Amortization of forgivable CMHC mortgage	(28,178)	(28,178)
Transfers to replacement reserves	65,552	(25,651)
Cash provided by (used in) changes in non-cash working capital items:		
Accounts receivable	379,442	(312,898)
Prepaid expenses	(594,223)	(260,271)
Inventory	(29,673)	(24,276)
Accounts payable and accrued liabilities	51,580	109,992
Government remittances payable	73,385	223,150
Security deposits	(1,303)	4,278
Deferred contributions	460,785	429,585
	<u>1,363,788</u>	<u>831,336</u>
Cash flows from (used by) financing and investing activities:		
Mortgage and construction financing	320,952	875,933
Construction and purchase of property and equipment, net	(1,217,030)	(1,781,073)
Deferred contributions related to property and equipment	168,358	148,937
	<u>(727,720)</u>	<u>(756,203)</u>
Net increase in cash	636,068	75,133
Cash, beginning of year	<u>7,564,359</u>	<u>7,489,226</u>
Cash, end of year	<u>8,200,427</u>	<u>7,564,359</u>
Represented by:		
Cash and short term investments	6,637,374	5,839,534
Cash – Restricted funds	1,563,053	1,724,825
	<u>8,200,427</u>	<u>7,564,359</u>

The accompanying notes are an integral part of these financial statements

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

1. Purpose

The Victoria Cool Aid Society (the "Society") was incorporated October 28, 1976 under the Society Act of British Columbia and transitioned to the British Columbia Societies Act on June 21, 2017. The purpose of the Society is to end homelessness in Victoria by working in partnership with others to develop community solutions. The Society provides a continuum of care that includes supportive housing, the provision of emergency shelter and the delivery of holistic and integrated health care and support services. The Society serves individuals facing multiple barriers of poverty, mental illness and addiction. The Society actively participates in a variety of networks committed to improving services and influencing policy for an improved quality of life in the community.

The Society is a registered charity under the Income Tax Act and as such is not subject to taxation.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

a) Revenue Recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned. Contributions to endowment funds held by a foundation of which the Society is a beneficiary are not recognized as revenue.

b) B.C. Housing Replacement Reserves

B.C. Housing replacement reserves are accounted for in accordance with the B.C. Housing Financial Responsibilities Guide. This requires that contributions from B.C. Housing for replacement reserves be recognized as revenue when they are received and then transferred to externally restricted replacement reserves. The replacement reserves are increased by interest earned on these funds and reduced by purchases of eligible items included in B.C. Housing's Standardized List of Replacement Reserve items.

c) Contributed Materials and Services

The Society receives contributions of both materials and services. However, due to the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

d) Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

Summary of Significant Accounting Policies (continued)

e) Joint Arrangement

The Society has an agreement with Vancouver Island AIDS Society to jointly operate the Access Health Centre at 713 Johnson Street, a building owned by both parties. The Society recognizes its two-third share of the assets, liabilities, revenues, and expenses relating to the project in its statements of financial position and operations.

f) Property and Equipment

Property and equipment are recorded at cost. Except for the housing developments under B.C. Housing's Homeless at Risk Housing Program, amortization is provided over the estimated useful life of the assets as follows:

Building improvements	25 years straight-line
713/715 Johnson St. Building	25 years straight-line
Pandora Gymnasium	25 years straight-line
Furniture and equipment	5 years straight-line
Computer hardware/software, Vehicles	5 years straight-line

At the time of acquisition, B.C. Housing required that amortization of the buildings on the following Homeless at Risk housing developments be equal to the principal reduction on the mortgage for the fiscal year: Swift & Store Street, Pandora, Johnson Manor, Fairway Woods, Hillside Terrace, Next Steps, Mike Gidora Place, and Cedar Grove. The Society continues to apply this amortization policy.

No amortization is taken in the year of acquisition.

g) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results could differ from those estimates.

h) Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable, bank loan payable, long-term debt and forgivable debt.

i) Employee Future Benefits

The Society and its employees contribute to the Municipal Pension Plan, a multi-employer plan for group benefits. Defined contribution plan accounting is applied to multi-employer defined benefit plans and accordingly, contributions to these plans are expensed.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

3. Cash and Short-term Investments

Cash and short-term investments include a deposit in the B.C. Non Profit Housing Association Pooled for Increased Earnings Program (PIE) of \$3,676,903 earning interest at prime less 1.65% (prime rate 3.75%). The PIE Program is invested with Vancity Savings Credit Union. The investment has no fixed term, no notice requirement or withdrawal penalty. Deposits are guaranteed by the Credit Union Deposit Insurance Corporation of B.C.

4. Prepaid expenses

	2019 \$	2018 \$
Property under development	775,544	203,716
Prepaid expenses	161,034	138,639
	<u>936,578</u>	<u>342,355</u>

5. Cash – Restricted Funds

	2019 \$	2018 \$
Replacement Reserves – B.C. Housing	1,380,041	1,407,099
Replacement Reserves – Shelters	31,204	30,791
Mike Gidora Vision Fund	27,254	28,232
Carl Young Pets In Need	24,554	24,921
Gaming Fund	100,000	233,782
	<u>1,563,053</u>	<u>1,724,825</u>

Replacement Reserves – B.C. Housing

Under the terms of the operating agreement with B.C. Housing, the Society is required to maintain a replacement reserve for major repair and furnishing replacements for the housing facilities referred to as Swift House, Pandora, Fairway Woods, Hillside Terrace, Johnson Manor, Mike Gidora Place, Olympic Vista, Transitional Housing-Rock Bay Landing, Cottage Grove and Tally Ho. The replacement reserve accounts are to be credited in the amount determined by the annual budget plus interest earned. This is done by an annual transfer from operations. These funds along with the accumulated interest must be held in a separate bank account. The reserve funds may only be used for repairs and replacements in accordance with the operating agreement. The corresponding net assets are reflected in Externally Restricted Replacement Reserves – B.C. Housing.

During the year the B.C. Housing replacement reserves were fully funded and maintained in accordance with the operating agreements and all interest accruing to the funds has been recorded.

Replacement Reserves – Shelters

The Society maintains a replacement reserve for the purpose of providing extraordinary or major repairs and furnishing replacements for the shelter facilities. These funds earn interest and are maintained in a separate bank account.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

5. Cash – Restricted Funds (continued)

Cash – Mike Gidora Vision Fund

The Mike Gidora Vision Fund was originally created within the Cool Aid Foundation to honour the memory and spirit of Mike Gidora. Mike believed that individuals can find strength within themselves to create positive change; he had the ability to see things, not only as they are, but as they could be. This fund supports Cool Aid clients who are struggling to create or sustain a positive change in their circumstance. These funds earn interest and are maintained in a separate bank account.

Cash – Carl Young Pets In Need

The Society was the sole beneficiary of the estate of Carl Young. In keeping with the wishes of Mr. Young, the Society established the Carl Young Pets In Need Fund with a portion of the proceeds from his estate. The Fund will be available to assist current and former tenants and clients with pet expenses such as pet food, veterinary bills and other pet-related expenses.

Cash - Gaming Fund

The Society maintains a fund received from Gaming and Enforcement Branch of the Provincial Government, and gaming fund contributions from other organizations for the purpose of assistance with the operating of the Downtown Community Activity Centre and the REES Program or as designated by the contributor. The prior year fund balance included a Capital Project Grant (\$32,773) for 50% of the purchase cost of a food services van and transport equipment. The unused balance of \$16,208 was returned to the Community Gaming Grants Branch. This fund balance earns interest and is maintained in a separate bank account.

6. Long-term Accounts Receivable

The Society has long-term accounts receivable consisting of \$19,728 (2018: \$19,728) held in trust by B.C. Housing.

The Society also has long-term accounts receivable from Vancouver Island AIDS Society for amounts contributed by the Society to the Access Health Centre construction project of \$188,142 (2018: \$188,142). This amount is repayable by Vancouver Island AIDS Society in the event of a sale of their interest in the building at 713 Johnson Street.

7. Prepaid Leases

The Society leases the property on which the 753/755/757 Pandora building and gymnasium were constructed. The \$1,130,000 lease was prepaid by the Society and the lease expires on January 31, 2056.

The Society leases the property on which Johnson Manor was constructed. The \$575,000 lease was prepaid by the Society and the lease expires on September 14, 2061.

The land leases are amortized over a 25 year period, to match the expected useful lives of the respective buildings.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

8. Property and Equipment

	2019		2018	
	\$		\$	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	12,192,420	-	11,478,575	-
Buildings				
467 Swift & 1 634 Store Street	11,481,793	4,723,329	11,481,793	4,344,133
753/755/757 Pandora Avenue (Pandora)	3,014,420	1,393,924	3,014,420	1,288,934
749 Pandora Avenue (Mike Gidora Place)	2,980,509	1,510,225	2,980,509	1,426,572
1153 Johnson Street (Johnson Manor)	1,901,300	394,854	1,901,300	358,899
597 Goldstream Avenue (Fairway Woods)	3,554,757	812,684	3,554,757	720,496
713 Johnson Street (Access Health Centre)	3,102,976	1,129,134	3,102,976	1,005,016
1460 Hillside Avenue (Hillside Terrace)	6,947,436	1,502,686	6,947,436	1,341,644
2317 Dowler Place (Next Steps)	393,263	205,886	393,263	185,192
210 Gorge Road East (Cedar Grove)	243,072	243,072	243,072	243,072
3020 Douglas St (Tally Ho)	1,707,348	-	1,521,136	-
959 Balmoral	275,259	-	-	-
Furniture, equipment and computers	1,355,753	1,169,015	1,314,040	1,125,759
Vehicles	142,329	111,801	142,329	97,884
	49,292,635	13,196,610	48,075,606	12,137,601
Less: Accumulated amortization	<u>13,196,610</u>		<u>12,137,601</u>	
Net Book Value	<u>36,096,025</u>		<u>35,938,005</u>	

The land values include property at 749 Pandora Avenue, 713 Johnson Street, 2317 Dowler Place, 210 Gorge Road East, 3020 Douglas Street, and 959 Balmoral Road.

During the year the Society purchased the property at 959 Balmoral Road.

During the year the British Columbia Housing Management Commission (BCHMC) increased the forgivable loan made available to the Society for building improvements at 3020 Douglas Street.

The Swift and Store Street building (467 Swift & 1634 Store Street) provides facilities for Swift House Apartments. The building is situated on property leased from the Provincial Rental Housing Corporation. The lease required a single payment of \$377,800 in 1991, which was included in the cost of the building. The lease expires in 2051.

Mike Gidora Place is situated on property that includes a portion donated by the City of Victoria in 1999 with a fair market value of \$393,000.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

8. Property and Equipment (continued)

Fairway Woods, a supportive housing facility, is situated on property leased from the Island Health Authority for a dollar, with the use of land restricted to affordable housing.

The 713 Johnson Street building represents the Society's share (in partnership with Vancouver Island AIDS Society) of the site for the Access Health Centre, which houses Cool Aid's Community Health Centre, Dental Clinic and Pharmacy. These financial statements reflect only the Society's proportionate interest in the costs incurred.

Hillside Terrace, a senior's supportive housing facility, is situated on property leased from the Island Health Authority for \$10, with the first floor leased back to the Island Health Authority for \$10.

9. Bank Loans Payable

	2019	2018
	\$	\$
VANCITY, limit of \$925,000, interest payable monthly at prime plus 1.00%, balance due on demand, general security agreement against all present and after-acquired property specific to 959 Balmoral Street.	925,000	-
VANCITY, limit of \$600,000, interest payable monthly at prime plus 1.00%.	96,196	98,586
	<u>1,021,196</u>	<u>98,586</u>

10. Deferred Contributions

Deferred contributions represent contributions received in the current year that are related to a subsequent year. Changes in the deferred contributions balance are as follows:

	2019	2018
	\$	\$
Beginning balance	3,451,751	3,083,090
Less: Amounts recognized as revenue in the year	(1,278,022)	(1,385,804)
Add: Amount received related to the following years	1,715,115	1,754,462
	<u>3,888,844</u>	<u>3,451,751</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

11. Deferred Contributions Related to Restricted Funds

Deferred contributions represent contributions received in the current year that are related to a subsequent year and for a restricted purpose. Changes in the deferred contributions related to restricted fund balances are as follows:

	M. Gidora Vision Fund \$	C. Young Pets In Need \$	Gaming \$	2019 \$	2018 \$
Beginning balance	27,589	24,926	119,040	171,555	153,343
Less: Amounts recognized as revenue in the year	(1,200)	(938)	(120,608)	(122,746)	(101,315)
Amount received related to the following years	875	577	101,639	103,091	119,527
	<u>27,264</u>	<u>24,566</u>	<u>100,071</u>	<u>151,901</u>	<u>171,555</u>

12. Deferred Contributions Related to Land Lease

Deferred contributions relate to funding received in prior years for the lease on the Pandora property as described in Note 7. The contribution is being amortized to revenue over 25 years from the start of the lease (October 1997).

13. Deferred Contributions Related to Property and Equipment

Deferred contributions related to property and equipment represent contributions restricted to acquiring property and equipment. Deferred contributions are amortized on the same basis as the related property and equipment. The changes in the deferred contributions balance for the year are as follows:

	2019 \$	2018 \$
Beginning balance	6,053,750	6,238,630
Add: Contributions related to property and equipment	168,358	148,937
Less: Amounts amortized to revenue	<u>(351,806)</u>	<u>(333,818)</u>
	<u>5,870,302</u>	<u>6,053,750</u>

The Society's share of total contributions received for the construction of the Access Health Centre of \$2,953,331 (2018: \$2,951,020) have been deferred as part of deferred contributions related to property and equipment for the year. These contributions include funding from the Island Health Authority, the Capital Regional Hospital District (CRHD), the Province of British Columbia, United Way of Greater Victoria, Victoria Foundation, City of Victoria, B.C. Housing, Civic Heritage Trust, Coast Capital Savings Credit Union, and contributions from members of the community.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

14. Long-term Debt

	2019 \$	2018 \$
BC HOUSING MANAGEMENT COMMISSION mortgage on Store Street, 3.15%, repayable in blended monthly payments of \$12,648, due June 1, 2021.	952,980	1,072,875
BC HOUSING MANAGEMENT COMMISSION mortgage on Swift Street, 3.15%, repayable in blended monthly payments of \$8,086, due June 1, 2021.	609,282	685,937
MCAP mortgage on Store/Swift Street, 2.15%, repayable in blended monthly payments \$6,895.49, due March 1, 2025, secured by an interest in the appliances, mechanical equipment and fixtures.	1,648,828	1,695,736
ROYAL BANK OF CANADA mortgage on Store/Swift Street, 3.04%, repayable in blended monthly payments of \$9,436, due July 1, 2022, secured by an assignment of rents.	2,153,916	2,201,299
PEOPLES TRUST mortgage on Dowler Place, 2.965%, repayable in monthly payments of \$1,868, due September 1, 2027, secured by a first charge on the property and contents of the building at 2317 Dowler Place.	379,725	390,771
MCAP mortgage on Gorge Road, 3.43%, repayable in monthly payments of \$3,763, due April 1, 2024, secured by a first charge on the property and contents of the building at 210 Gorge Road East.	760,971	779,864
PEOPLE'S TRUST mortgage on Pandora Avenue, 3.84%, repayable in blended monthly payments of \$13,495, due November 1, 2023, secured by a first charge in the leasehold interest, building and contents of the building 753, 755, 757 Pandora Avenue and an assignment of rents.	1,708,342	1,803,231
FIRST NATIONAL FINANCIAL, mortgage on Fairway Woods, 3.53%, repayable in blended monthly payments of \$10,229, due August 1, 2023, secured by a first charge on the land at 597 Goldstream Avenue and an assignment of rents.	1,726,980	1,788,044
MCAP, mortgage on Mike Gidora Place, 2.439%, repayable in blended monthly payments of \$10,554, due September 1, 2025, secured by a first charge on the property and contents of the building at 749 Pandora Avenue and an assignment of rents.	1,965,983	2,043,895
GREAT-WEST LIFE ASSURANCE COMPANY mortgage on Johnson Manor, 5.26%, repayable in blended monthly payments of \$11,967, due January 1, 2020, secured by a first charge in the leasehold interest, building and contents of the building at 1153 Johnson Street and an assignment of rents.	1,666,443	1,721,766
MCAP mortgage on Hillside Terrace, 3.518%, repayable in blended monthly payments of \$23,749, due February 1, 2023, secured by a first charge in the leasehold interest, building and contents of the building at 1460 Hillside Avenue and an assignment of rents.	4,359,030	4,489,272
	17,932,480	18,672,691
Less: Current Portion	2,371,840	738,613
	<u>15,550,640</u>	<u>17,934,078</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

14. Long-term Debt (continued)

The B.C. Housing Management Commission mortgages place a charge on the Swift and Store Street building, furnishings and equipment, fire and B.C. Housing insurance and housing unit's rentals. The monthly mortgage payment is offset by a grant from B.C. Housing resulting in an effective annual interest rate of 2%.

Principal repayments required on long-term debt for the next five years are as follows:

<u>Year</u>	<u>Amount \$</u>
2020	2,371,840
2021	730,012
2022	3,690,759
2023	4,291,759
2024	2,926,429
Thereafter	<u>3,919,879</u>
	<u>17,932,480</u>

15. Forgivable Debt

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
CANADA MORTGAGE AND HOUSING COMMISSION forgivable mortgage on Cedar Grove, 7.875%, forgivable at \$24,453 per annum to April 1, 2019 provided the Society fulfills the terms of the agreement. The loan has been fully forgiven during the year.	-	26,491
CANADA MORTGAGE AND HOUSING COMMISSION forgivable mortgage on Dowler Place, 8.125%, forgivable at \$7,200 per annum to January 1, 2019 provided the Society fulfills the terms of the agreement. The loan has been fully forgiven during the year.	-	6,000
BCHMC forgivable loan 3020 Douglas Street – payments on account of principal and interests under the loan will be forgiven, provided the property is continuously used for the intended purpose and no default under the loan or operating agreement. The loan will be forgiven 1/10 each year, commencing in the 11th year. Term 20 years, to end March 31, 2037.	10,460,398	10,274,186
	<u>10,460,398</u>	<u>10,306,677</u>

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

16. Financial Instruments and Risk Management

At March 31, 2019, the estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated their respective carrying values due to their short-term nature.

Short-term investments are recorded at market value based on quoted market prices at the statement of financial position date. Any unrealized gains and losses arising from the adjustment to market value are recognized in the statement of operations for the current period.

The carrying values of the bank loan payable and long-term debt approximate their fair values because interest charges under the terms of the loans are based on current Canadian bank lending rates.

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Society's risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Society to credit risk consist primarily of accounts receivable. Accounts receivable are not concentrated with any single party, and therefore the Society is not subject to any significant concentration of credit risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is not exposed to significant currency risks arising from its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Society to interest rate risk consist primarily of long-term debt. The Society manages this risk by having a substantial amount of its long-term debt at fixed rates of interest.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Society's cash requirements. Additional cash requirements are met with bank borrowings under long-term credit arrangements. The Society is not exposed to significant liquidity risks.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to significant other price risk.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

17. Net Assets Invested in Property and Equipment

The Society's investment in property and equipment is calculated as follows:

	2019	2018
	\$	\$
Property and equipment (Note 8)	36,096,025	35,938,005
Accounts receivable, B.C. Housing (Note 6)	19,728	19,728
Less amounts financed by:		
Accounts payable	-	-
Loan and mortgages payable	(28,541,210)	(28,168,154)
Direct increase in net assets related to land	171,036	127,690
Deferred capital contributions (Note 13)	(5,870,302)	(6,053,750)
	<u>1,875,277</u>	<u>1,863,519</u>

18. Net Assets Internally Restricted

Internally restricted funds include a reserve for Health Services expansion and new initiatives, a Building and Equipment reserve to cover renovations and furniture replacements for programs that are not covered by other reserves; a Shelter Facilities reserve for providing major repairs and furnishing replacements, and a Housing Development fund to support the strategic goals of the Society to end homelessness through housing development initiatives.

The balance of net assets internally restricted is comprised of the following:

	Building & Equipment	Health Services Fund	Shelters Reserve	Housing Development Fund	2019	2018
	\$	\$	\$	\$	\$	\$
Beginning balance	95,094	199,145	30,800	1,000,000	1,325,039	1,338,590
Less: Amounts used in the year	-	-	-	-	-	(13,842)
Add: Contributions in the year	-	-	414	-	414	291
	<u>95,094</u>	<u>199,145</u>	<u>31,214</u>	<u>1,000,000</u>	<u>1,325,453</u>	<u>1,325,039</u>

19. Endowment Funds

The Society established a Hosted Endowment Fund (Cool Aid Housing, Health, and Shelter & Community Services Fund) with the Victoria Foundation in 2008. The funds are managed for the benefit of the Society and are held permanently. Gifts are made from time to time as determined by the Society or in accordance with the wishes of contributors. The Fund earns investment income in accordance with the Investment Policy of the Victoria Foundation. Distributions from the fund are determined by the Distribution Policy of the Victoria Foundation.

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

19. Endowment Funds (continued)

In 2015, the Society established a Hosted Endowment Fund with the Vancouver Foundation. Management and intention of this fund are the same as those of the Victoria Foundation Endowment Fund. The purpose of this fund is to enhance giving opportunities for those contributors outside of the Victoria area.

In 2016, the Society established a Hosted Endowment fund with the Victoria Foundation for the operation of the Pets In Need Fund (Carl Young). The initial gift for this fund was provided by the Carl Young estate. In keeping with Mr. Young's wishes, the fund was established to assist current and former tenants and clients with pet expenses such as pet food, veterinary bills and other pet-related expenses.

Contributions, investment income and grants paid are reported in the Cool Aid Housing, Health, Shelter & Community Fund by the Victoria Foundation and Vancouver Foundation and the Pets In Need Fund (Carl Young) by the Victoria Foundation.

	Victoria Foundation \$	Vancouver Foundation \$	Victoria Foundation Pets In Need \$	2019 \$	2018 \$
Beginning balance	188,803	11,099	26,825	226,727	223,279
Contributions	56,637	-	1,335	57,972	11,267
Grants paid	(64,331)	-	(1,065)	(65,396)	(16,227)
Net investment returns	10,567	624	1,425	12,616	8,408
	<u>191,676</u>	<u>11,723</u>	<u>28,520</u>	<u>231,919</u>	<u>226,727</u>

Fund values are reported at market value as at March 31, 2019

20. Tenant Rent

The Society has on file verification of the income and assets of tenants as required by the operating agreements with B.C. Housing. The tenant rent contributions, as approved by B.C. Housing, are being charged correctly to the rent-geared-to-income tenants.

21. Employee Future Benefits

The Society and its employees are members in the Municipal Pension Plan (the "pension plan"), a joint trustees pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation as at December 31, 2015, indicated an unfunded liability. The actuary does not attribute portions of the unfunded liability to individual employers. The Society paid \$895,566 (2018: \$745,170) for employer contributions to the plan in fiscal 2019. The employer contribution rate is 9.74% of pensionable earnings (2018: 9.82%).

Victoria Cool Aid Society

Notes to the Financial Statements

Year ended March 31, 2019 with comparative figures for 2018

22. Remuneration of employees and contractors

Under the British Columbia Societies Act, societies must disclose remuneration paid to directors, and to employees and contractors whose remuneration was at least \$75,000 for the fiscal year.

During the year, there were 19 employees who met this criterion, and the total amount of remuneration paid to these persons was \$1,708,739. During the prior year, there were ten employees who met this criterion, and the total amount of remuneration paid to these persons was \$961,990.

During the year, there were ten contractors who met this criterion, and the total amount of remuneration paid to these contractors was \$1,300,898. During the prior year, there were seven contractors who met this criterion, and the total amount of remuneration paid to these contractors was \$833,462.

23. Operator Agreements

The Society has operator agreements with B.C. Housing to deliver services at Queens Manor, Swift House, Rock Bay Landing, Desmond House, Olympic Vista and Cottage Grove.

24. B.C. Housing Accumulated Operating Surplus

Some operating agreements with B.C. Housing may require the Society to manage accumulated operating surpluses for projects or services. All accumulated operating surpluses are accounted for and spent as required in the operating agreement.

Victoria Cool Aid Society

Schedule 1

Statement of Changes in Externally Restricted Replacement Reserves – B.C. Housing

Year ended March 31, 2019 with comparative figures for 2018

	Fairway Woods	Hillside Terrace	Johnson Manor	Mike Gidora Place	Olympic Vista	Pandora	Rock Bay Landing	Swift House	Cottage Grove	Tally Ho	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, Beginning of year	138,730	163,262	164,179	51,917	35,989	307,833	116,049	198,561	37,925	3,120	1,217,565	1,231,414
Add:												
Transfer from operations for the year (Note 5)	15,828	32,400	14,976	7,125	8,408	28,800	16,800	21,455	32,400	37,440	215,632	181,312
Interest income	1,980	2,462	2,315	757	561	4,441	1,681	2,816	686	206	17,905	11,872
Less:												
Amounts expended on replacement reserve	(8,150)	(38,560)	-	(11,956)	(14,258)	(13,333)	(41,713)	(22,110)	-	-	(150,080)	(206,963)
Amount expended related to prior year	-	-	(92)	-	-	-	-	-	-	-	(92)	(70)
Balance, end of year	148,388	159,564	181,378	47,843	30,700	327,741	92,816	200,722	71,011	40,766	1,300,930	1,217,565
Purchase of replacement items for the year consist of:												
Flooring	2,823	23,214	-	8,720	-	6,909	-	8,029	-	-	49,695	35,987
Heating and hot water	-	3,493	-	-	7,394	-	23,964	5,307	-	-	40,158	105,292
Window coverings	903	-	-	821	548	1,753	-	740	-	-	4,765	2,732
Painting	2,092	7,928	-	-	-	-	-	-	-	-	10,020	25,755
Lighting	-	-	-	-	5,229	-	-	-	-	-	5,229	-
Appliances	2,332	1,470	-	2,415	-	4,671	-	8,034	-	-	18,922	24,826
Special repairs & equipment	-	2,455	-	-	1,087	-	17,749	-	-	-	21,291	12,371
	8,150	38,560	-	11,956	14,258	13,333	41,713	22,110	-	-	150,080	206,963

Victoria Cool Aid Society

Schedule 2

Schedule of Housing Fund Surplus Accounts

Year ended March 31, 2019 with comparative figures for 2018

	Hillside Terrace	Sandy Merriman House	Next Steps	Rock Bay Landing (ESP)	Rock Bay Landing (PHI)	Mount Edwards Court	HOP RS	Cool Aid Seasonal Shelter	Swift House	Desmond House	Queens Manor	Total 2019	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial review closing balance March 31, 2018	(459,130)	113,315	(871)	(33,059)	(13,832)	45,553	19,054	3,116	3,324	-	-	(322,530)	(217,844)
Financial review adjustments 2018	(12,014)	(3,888)	216	-	-	4,086	-	-	(4)	15,817	48,088	20,969	(58,177)
Revised accumulated surplus (deficit) 2018	(447,116)	109,427	(655)	45,553	(33,059)	(9,746)	19,054	3,116	3,328	15,817	48,088	(246,193)	(276,021)
Accumulated surplus (deficit) beginning	(447,116)	109,427	(655)	45,553	(33,059)	(9,746)	19,054	3,116	3,328	15,817	48,088	(246,193)	(276,021)
Current year operating surplus (deficit)	(26,687)	(5,426)	(1,999)	20,533	106,110	703	19,861	5,052	569	(7,037)	(55,278)	48,602	(46,509)
Accumulated surplus (deficit), end of year	(473,803)	104,001	(2,654)	66,086	73,051	(9,043)	38,915	8,168	3,897	8,780	(7,190)	(189,792)	(322,530)