

Sources Community Resources Society
Financial Statements
For the year ended March 31, 2019

Sources Community Resources Society

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For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Sources Community Resources Society:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sources Community Resources 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 then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 standards have been applied on a basis consistent with that of the previous year.

Surrey, British Columbia

July 16, 2019

MNP LLP

Chartered Professional Accountants

Sources Community Resources Society

Statement of Financial Position

As at March 31, 2019

	2019	2018
Assets		
Current		
Cash and cash equivalents	3,199,671	1,874,587
Current portion of term deposits	783,520	524,894
Accounts receivable (Note 4)	798,744	940,221
Prepaid expenses	243,037	203,006
Government agencies receivable	8,095	-
	5,033,067	3,542,708
Term deposits (Note 3)	500,629	500,629
Capital assets (Note 5)	6,446,075	6,523,885
	11,979,771	10,567,222
Liabilities		
Current		
Accounts payable and accruals	2,096,227	1,338,180
Deferred contributions (Note 6)	1,237,050	721,823
Current portion of long-term debt (Note 7)	1,765,432	1,892,027
Government agencies payable	-	5,218
Replacement reserve (Note 8)	6,953	37,968
	5,105,662	3,995,216
Long-term debt (Note 7)	41,478	50,046
Deferred contributions related to capital assets (Note 9)	743,858	625,538
	5,890,998	4,670,800
Commitments (Note 10)		
Net Assets		
Net assets invested in capital assets	3,895,303	3,956,272
Unrestricted net assets	2,193,470	1,940,150
	6,088,773	5,896,422
	11,979,771	10,567,222

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Sources Community Resources Society

Statement of Operations

For the year ended March 31, 2019

	2019	2018
Revenue		
Donations		
Sources Community Resources Foundation	307,174	229,683
Other	433,772	342,064
Grant revenue		
Law Foundation	213,189	167,000
Sources Community Resources Foundation	116,773	101,773
United Way	112,664	119,737
VanCity Community Foundation	15,000	-
Other	465,844	446,928
Earned income	3,001,231	3,101,446
Federal contracts	607,193	356,455
Gaming income	218,296	214,669
Provincial contracts	17,686,683	16,531,432
Regional Health Board contracts	633,577	619,892
Subsidies - B.C. Housing Management Commission	23,700	23,928
	23,835,096	22,255,007
Expenses		
Amortization	261,373	335,499
Building occupancy	417,147	451,517
Employee benefits	3,233,034	2,942,595
Purchased services	2,031,182	1,910,417
Interest on long-term debt	71,348	63,854
Office	810,883	679,566
Rent	876,927	796,723
Program materials and activities	1,782,692	1,982,209
Salaries	13,109,985	12,068,078
Food and residential care costs	213,859	218,746
Recruitment and staff development	236,290	151,462
Travel	377,690	364,200
Program furnishings and equipment	131,467	224,062
Public relations	61,705	43,149
	23,615,582	22,232,077
Excess of revenue over expenses before other item	219,514	22,930
Other items		
Loss on disposal of capital assets	(1,187)	-
Write-down of capital assets	(25,977)	-
Excess of revenue over expenses	192,350	22,930

The accompanying notes are an integral part of these financial statements

Sources Community Resources Society

Statement of Changes in Net Assets

For the year ended March 31, 2019

	<i>Net assets invested in capital assets</i>	<i>Unrestricted net assets</i>	2019	2018
Net assets, beginning of the year	3,956,272	1,940,150	5,896,422	5,693,501
Excess of revenue over expenses	(223,321)	415,672	192,350	22,930
Investment in capital assets	215,727	(215,727)	-	-
Disposal of capital assets	(32,163)	32,163	-	-
Principal repayments of long-term debt	135,163	(135,163)	-	-
Increase in deferred contributions	(156,375)	156,375	-	-
Acquisition of Cornerstone Care Society net assets	-	-	-	179,991
Net assets, end of year	3,895,303	2,193,470	6,088,772	5,896,422

The accompanying notes are an integral part of these financial statements

Sources Community Resources Society
Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	192,350	22,930
Amortization	261,374	335,499
Loss on disposal of capital assets	1,187	-
Write-down of capital assets	25,977	-
Net change in replacement reserve	(31,015)	10,521
Recognition of deferred capital contributions	(38,055)	(29,775)
Cash and working capital accounts transferred from Cornerstone Care Society upon combination	-	179,989
	411,818	519,164
Changes in working capital accounts		
Accounts receivable	141,477	199,616
Government agencies receivable/payable	(13,313)	23,210
Prepaid expenses	(40,031)	(109,191)
Accounts payable and accruals	758,047	372,272
Deferred contributions	515,227	146,419
	1,773,225	1,151,490
Financing		
Repayment of long-term debt	(135,163)	(134,856)
Receipt of deferred contributions related to capital assets	156,375	134,315
	21,212	(541)
Investing		
Purchase of capital assets	(215,727)	(87,338)
Proceeds on disposal of capital assets	5,000	-
Purchase of term deposit	(258,626)	(12,312)
Increase in cash resources	1,325,084	1,051,299
Cash resources, beginning of year	1,874,587	823,288
Cash resources, end of year	3,199,671	1,874,587

The accompanying notes are an integral part of these financial statements

Sources Community Resources Society

Notes to the Financial Statements

For the year ended March 31, 2019

1. Incorporation and nature of the Society

Sources Community Resources Society (the "Society") was incorporated under the authority of the Society Act of British Columbia as a not-for-profit organization and is a registered charity, and thus is exempt from income taxes under the Income Tax Act ("the Act"). In order to maintain its status as a registered not-for-profit under the Act, the Society must meet certain requirements within the Act. In the opinion of management these requirements have been met.

The Society's purpose is to identify human needs in British Columbia, and to respond to them in a creative and caring way. This is achieved by providing information, services and advocacy, working with others in a way that promotes involvement and self-reliance, and expressing a spirit of community.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Capital assets

Purchased capital assets are initially recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method over terms intended to amortize the cost of assets over their estimated useful lives.

	Term
Buildings	50 years
Automotive	5 years
Equipment	10 years
Electronic equipment	5 years

Leasehold improvements are amortized on a straight-line basis over the underlying lease term, being 5 years.

Collections

The collection of works of art is recognized in the statement of financial position. Purchases of collection items are accounted for at cost. Contributions of collection items are accounted for at fair value based on market value. When fair value cannot be determined, the contribution is recorded at its nominal value. The works of art are not amortized as the assets are deemed to have indefinite useful lives.

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 to be received can be reasonably estimated and collection is reasonably assured.

Other income is recognized as revenue when the services are provided, the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

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

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Sources Community Resources Society

Notes to the Financial Statements

For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Employee future benefits

The Society is part of a multiemployer defined benefit plan, the Municipal Pension Plan ("MPP") for which there is insufficient information to apply defined benefit plan accounting because the actuary does not attribute portions of the surplus to individual employers. Accordingly, the Society is not able to identify its share of the plan assets and liabilities, and therefore, the Society uses defined contribution plan accounting for this plan.

Replacement reserve

In accordance with the operating agreement between the Society and the British Columbia Housing Management Commission ("BCHMC"), a replacement reserve fund has been established. The replacement reserve is funded from the Society's operating budget through an annual transfer to the reserve. The use of the funds is restricted for replacement or repair of capital assets of Chestnut House.

Contributed materials and services

The Society benefits from services in the form of volunteer time and from contributed materials. Due to the difficulty of determining their fair value, the value of the volunteer services is not recorded in the financial statements. Contributed materials are recorded at their fair market value, if determinable, at the date of contribution.

Financial instruments

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (Note 11).

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

Financial assets and liabilities are subsequently measured at cost or amortized cost with transaction costs and financing fees added to the carrying amount of the financial instruments.

Financial asset impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

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

Controlled entity

The Society is deemed to control another not-for-profit organization, the Sources Community Resources Foundation ("the Foundation"). The Foundation has not been consolidated in the Society's financial statements. The financial summaries of this unconsolidated entity, as at March 31, 2019 and 2018, and for the years then ended are disclosed in the notes to the financial statements in accordance with Section 4450 *Reporting Controlled and Related Entities by Not-for-profit Organizations* (Note 15).

Sources Community Resources Society

Notes to the Financial Statements

For the year ended March 31, 2019

3. Term deposits

	2019	2018
Term deposits	1,284,149	1,025,523
Less: current portion	783,520	524,894
	500,629	500,629

4. Accounts receivable

	2019	2018
Contract receivables	825,205	941,278
Less: Allowance for doubtful accounts	(26,461)	(1,057)
	798,744	940,221

5. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	2,640,851	-	2,640,851	2,640,851
Buildings	5,441,640	2,181,586	3,260,054	3,372,267
Automotive	713,575	446,077	267,498	163,068
Equipment	707,430	582,741	124,689	164,678
Electronic equipment	593,673	460,944	132,729	128,317
Leasehold improvements	113,247	103,943	9,304	43,754
Artwork	10,950	-	10,950	10,950
	10,221,366	3,775,291	6,446,075	6,523,885

6. Deferred contributions

Deferred contributions consist of amounts received from contributors who have restricted their use for various specific programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2019	2018
Balance, beginning of year	721,823	575,404
Amount received during the year	20,474,445	18,609,305
Less: Amount recognized as revenue during the year	(19,959,218)	(18,462,886)
Balance, end of year	1,237,050	721,823

Sources Community Resources Society

Notes to the Financial Statements

For the year ended March 31, 2019

7. Long-term debt

	2019	2018
BC Housing and Mortgage Corporation - repayable in monthly instalments of \$855 including interest at 3.44% per annum. Secured by a charge on the financed land and building with a net book value of \$213,400 (2018 - \$217,469); due for renewal on September 1, 2019 and matures June 1, 2024.	50,169	58,444
Scotiabank - Two demand mortgages, terms of repayment are negotiated with the bank on a month to month basis, current terms of repayment require combined monthly instalments of \$10,574 plus interest at the bank's prime lending rate (currently 3.95%) plus 0.25% annually and a banker's acceptance fee of 1.8% per annum, repayment is currently based on a 20 year amortization.	1,756,741	1,883,629
	1,806,910	1,942,073
Less: Current portion	1,765,432	1,892,027
	41,478	50,046

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed with similar rates and terms are estimated as follows:

2020	135,579
2021	135,883
2022	136,197
2023	136,522
2024	136,859

Long-term debt is subject to certain financial covenants with respect to earnings before interest, taxes depreciation, and amortization. As at March 31, 2019, the Society is in compliance with all such covenants. It is management's opinion that the Society is likely to remain in compliance with all long-term debt covenants throughout the next twelve months subsequent to March 31, 2019.

8. Replacement reserve

As at March 31, 2019, the replacement reserve was funded and maintained in accordance with the BCHMC operating agreement.

The replacement reserve consists of the following:

	2019	2018
Balance, beginning of year	37,968	27,450
Replacement reserve provision	(2,127)	10,518
Eligible expenditures	(28,888)	-
	6,953	37,968

Sources Community Resources Society
Notes to the Financial Statements
For the year ended March 31, 2019

9. Deferred contributions related to capital assets

	2019	2018
Balance, beginning of year	625,538	520,998
Amount received during the year	156,375	134,315
Less: Amounts recognized as revenue during the year	(38,055)	(29,775)
Balance, end of year	743,858	625,538

10. Commitments

The Society has entered into various lease agreements with estimated minimum annual payments as follows:

2020	342,816
2021	233,773
2022	125,133
2023	35,018
	<hr/>
	736,740

11. Related party transactions

The Foundation is deemed to be controlled by the Society by virtue of common management and board members.

The Society received donations and grants of \$470,284 (2018 - \$381,503) from the Foundation.

Included in accounts receivable is \$NIL (2018 - \$84,758) due from the Foundation.

Included in accounts payable is \$12,469 (2018 - \$NIL) due to the Foundation.

The above transactions and balances are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Sources Community Resources Society

Notes to the Financial Statements

For the year ended March 31, 2019

12. Employee future benefits

The Society and its employees contribute to the Municipal Pension Plan (a jointly n pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Society paid \$940,242 (2018 - \$814,853) for employer contributions to the plan in fiscal 2019.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

13. Employee and director compensation

During the year ended March 31, 2019, twenty (2018 - fifteen) employees and contractors earned over \$75,000 in remuneration, inclusive of salary, pension and other benefits, totaling \$1,929,408 (2018 - \$1,484,847). No remuneration was paid to the members of the Society's Board of Directors during the year ended March 31, 2019.

14. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Society is exposed to interest rate risk on its demand loans and long-term debt.

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society's exposure to liquidity risk is dependent on the collection of accounts, purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to its accounts receivable. The Society believes that there is minimal risk associated with the collection of these amounts.

Sources Community Resources Society

Notes to the Financial Statements

For the year ended March 31, 2019

15. Sources Community Resources Foundation

The Foundation is deemed to be controlled by the Society by virtue of common management and board members. The purpose of the Foundation is to provide for the enrichment of life in the community, through the Society, by developing a permanent endowment, responding to the priorities of the Society, assessing and responding to emerging and changing community needs, providing an avenue for donors with varied interests and various levels of giving, and serving as a resource catalyst for charitable activities in the community. The Foundation is a registered charity under Canadian income tax legislation and is incorporated under the Society Act of British Columbia.

Financial summaries of this unconsolidated entity, as at March 31, 2019 and 2018, and for the years then ended, are as follows:

	2019	2018
Balance Sheet		
Total assets	1,792,356	1,645,486
Total liabilities	(295,527)	(297,479)
Total net assets	1,496,829	1,348,007
Revenues and Expenses		
Total revenues	718,342	616,947
Total expenses	(99,236)	(77,223)
Disbursements to Sources Society	(470,284)	(406,713)
Excess of revenues over expenses	148,822	133,011
Cash Flows		
Cash used in operating activities	78,731	211,068
Cash used in investing activities	(206,170)	(60,874)
Increase (decrease) in cash resources	(127,439)	150,194

16. Economic dependence

The Society's primary sources of revenue are federal and provincial government grants. The funding can be cancelled if the Society does not observe certain established guidelines. The Society's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the funding agreements. As at the date of these financial statements the Society believes that it is in compliance with the agreements and funding will continue.

17. Subsequent events

Subsequent to the date of the financial statements, the Society obtained deemed control of District 69 Family Resource Association ("the Association") by virtue of common management and board members. The Association's purpose is to provide social services for children, youth, and families. The Association is a registered charity under Canadian income tax legislation and is incorporated under the Society Act of British Columbia.

Subsequent to the date of the financial statements and pursuant to the board's strategic plan, the Society has decided to wind-down the Cornerstone Care program and dispose of all related assets and liabilities.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.