

Sea to Sky Community Services Society
Consolidated Financial Statements
For the year ended March 31, 2018

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For the year ended March 31, 2018

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Independent Auditor's Report

To the Board of Directors of the Sea to Sky Community Services Society

We have audited the accompanying consolidated financial statements of Sea to Sky Community Services Society, which comprise the Consolidated Statement of Financial Position as at March 31, 2018, and the Consolidated Statements of Operations, Changes in Fund Balances and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, Sea to Sky Community Services Society derives revenue from donations, fundraising and cash receipts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Sea to Sky Community Services Society. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, fundraising revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended March 31, 2018 and 2017, current assets and net assets as at March 31, 2018 and 2017, and net assets as at April 1, 2017 and 2016. Our audit opinion on the consolidated financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the consolidated financial position of Sea to Sky Community Services Society as at March 31, 2018 and its consolidated results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

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

BDO Canada LLP.

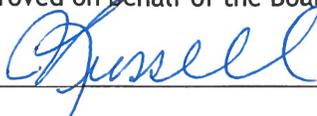
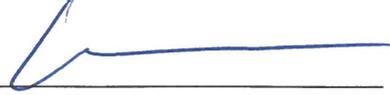
Chartered Professional Accountants

July 11, 2018
Whistler, British Columbia

Sea to Sky Community Services Society
Consolidated Statement of Financial Position

For the year ended March 31	2018	2017
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 1,194,235	\$ 338,159
Restricted cash (Note 2)	395,620	297,648
Accounts receivable (Note 3)	399,948	292,645
GST receivable	-	103,068
Prepaid expenses and deposits (Note 8)	55,338	240,226
	2,045,141	1,271,746
Tangible Capital Assets (Note 4)	17,438,521	18,161,403
	\$ 19,483,662	\$ 19,433,149
 Liabilities and Fund Balances		
Liabilities		
Current		
Accounts payable and accruals (Note 5)	\$ 603,808	\$ 1,535,295
Wages and benefits payable	213,452	217,872
Pre-development loans	-	40,562
Government remittances payable	121,668	64,487
Current portion of mortgages payable (Note 6)	459,789	327,493
Deferred contributions from operations (Note 7)	152,620	55,188
Current portion of construction loan	-	54,534
	1,551,337	2,295,431
Mortgages Payable (Note 6)	16,542,667	10,224,963
Construction Loan	-	6,010,840
	18,094,004	18,531,234
Fund Balances - Operating		
Externally restricted (Note 9)	728,110	356,493
Fund Balances - Capital		
Invested in tangible capital assets	436,065	517,732
Externally restricted - capital fund (Note 9)	225,483	27,690
	1,389,658	901,915
	\$ 19,483,662	\$ 19,433,149

Approved on behalf of the Board:

 Director
  Director

Sea to Sky Community Services Society
Consolidated Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Grants (Note 7 and 8)	\$ 6,509,567	\$ 6,043,873
Donations - receipted (Note 8)	273,481	262,215
Donations - unreceipted (Note 8)	25,150	333,363
Fundraising	93,939	183,821
Sales revenue - Reuse It	32,358	20,443
Childcare subsidies	38,347	32,156
User fees	886,158	804,506
Workshop revenue	3,682	11,595
Interest	14,048	6,052
Miscellaneous income	35,672	670
Rent	1,220,735	939,768
	9,133,137	8,638,462
Expenses		
Advertising	11,345	11,873
Amortization	763,160	480,975
Bank charges and interest	14,306	29,471
Bad debts (Note 3)	17,220	5,418
Client expense reimbursements	29,949	27,396
Client recreation fees	11,430	13,357
Contractor fees	476,209	444,446
Fees, licences and dues	33,822	17,169
Food	112,408	113,903
Freight	915	1,060
Fundraising costs	18,505	26,269
Honoraria	13,482	17,476
Insurance	97,317	82,482
Mortgage interest	441,202	389,644
Office and miscellaneous	444,356	372,591
Professional fees	93,397	63,397
Rent of facilities	249,864	378,010
Repairs and maintenance	288,925	209,342
Telephone, cable and Internet	55,079	63,225
Training costs	50,849	44,296
Utilities	387,290	306,550
Vehicles	124,383	113,213
Wages and benefits	4,909,981	4,888,665
	8,645,394	8,100,228
Excess of revenue over expenses for the year	\$ 487,743	\$ 538,234

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Sea to Sky Community Services Society
Consolidated Statement of Changes in Fund Balances

For the year ended March 31

	Capital Fund	Operating Fund	2018	2017
Balance, beginning of year	\$ 545,422	\$ 356,493	\$ 901,915	\$ 363,681
Revenue	421,534	8,711,603	9,133,137	8,638,462
Expenses	(815,458)	(7,829,936)	(8,645,394)	(8,100,228)
Excess (deficiency) of revenue over expenses for the year	(393,924)	881,667	487,743	538,234
Capital acquisition	2,845,455	(2,845,455)	-	-
Sale of assets	(2,800,000)	2,800,000	-	-
Mortgage principal payments	350,013	(350,013)	-	-
Interfund transfer	114,582	(114,582)	-	-
Balance, end of year	\$ 661,548	\$ 728,110	\$1,389,658	\$ 901,915
Represented by				
Externally restricted	\$ -	\$ 728,110	\$ 728,110	\$ 356,493
Unrestricted	-	-	-	-
Invested in tangible capital assets	436,065	-	436,065	517,732
Externally restricted - capital fund	225,483	-	225,483	27,690
	\$ 661,548	\$ 728,110	\$1,389,658	\$ 901,915

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Sea to Sky Community Services Society
Consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 487,743	\$ 538,234
Items not requiring cash		
Amortization	763,160	480,975
Loss on disposal of tangible capital assets	5,190	8,692
Deferred contributions recognized as revenue	(55,188)	(134,210)
Changes in non-cash working capital balances		
Accounts receivable	(107,303)	(37,783)
GST receivable	103,068	(94,149)
Prepaid expenses and deposits	184,888	(192,541)
Accounts payable and accruals	(931,487)	102,090
Wages and benefits payable	(4,420)	(112,028)
Contributions received and deferred	152,620	55,188
Government remittances payable	57,181	1,061
	<u>655,452</u>	<u>615,529</u>
Investing activities		
Tangible capital assets acquired	(2,845,455)	(6,911,986)
Proceeds from sale of assets	2,800,000	-
Construction costs financed by working capital	-	985,277
	<u>(45,455)</u>	<u>(5,926,709)</u>
Financing activities		
Repayment of mortgages payable	(350,013)	(315,072)
Proceeds of long-term debt issued	6,800,000	-
Pre-development loan funding (repayment)	(40,562)	(277,695)
Construction loan funding (repayment)	(6,065,374)	6,065,374
Increase in restricted cash (Note 2)	(97,972)	(12,548)
	<u>246,079</u>	<u>5,460,059</u>
Increase in cash during the year	856,076	148,879
Cash, beginning of year	338,159	189,280
Cash, end of year	\$ 1,194,235	\$ 338,159

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Sea to Sky Community Services Society

Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

Purposes of the Society

Sea to Sky Community Services Society (the "Society") provides a structure to co-ordinate programs and agencies in the social fields for the geographic area known as the Sea to Sky Corridor. Its purpose is to assist in upgrading and developing existing programs and to explore and initiate services not previously available.

The Society is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act.

The Society provides programs which offer support and assistance to families in times of need and stressful life situations. The programs offered by the Society can be grouped into the following sectors:

Early Intervention/Prevention Programs

Putting Children First is a program aimed at developing a support system for children and their families from preconception through to school entry. Success by 6 is funded by the United Way and is designed to support the continued professional development of early childhood educators. The Healthy Pregnancy Outreach program helps pregnant women and new moms maintain good health and have healthy babies. Parent-tot and StrongStart are playgroups in which parents/guardians and their children can engage in activities designed to support the success of children when they enter kindergarten. Nobody's Perfect is a free parenting program for parents who are isolated and parenting at least one pre-schooler. Strengthening Families is a program for parents and their children that aims to improve family communications and increase positive parenting practices, school performance and parent-child attachment.

Family Development

The Family Development program includes Transitioning Youth into Adulthood, Family Preservation & Reunification and Family Support services. These services are provided throughout the corridor from Squamish to Pemberton and to the more remote First Nations communities of Baptiste Smith and Skatine.

Early Child Development Services

The Early Child Development Services sector provides support to families with children from 0 to 12 years of age. The programs are designed to work with individuals and groups by providing them with the needed resources and support. The focus of Early Child Development is to maximize the participant's potential and provide them with the materials and information they need to enhance their parenting skills. With the help of support staff and peer relationships they learn to enjoy and make healthier lifestyle choices. The Society provides a wide range of child care and preschool services for children from 2.5 years to 12 years. The Society operates nine licensed programs, eight in Squamish and one in Pemberton.

Sea to Sky Community Services Society

Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Purposes of the Society (continued)

Community Living Services

This sector comprises two service streams including those for adults and children. The adult stream ensures that adults with developmental disabilities and seniors in the Sea to Sky corridor have access to the services they need in a coordinated fashion and ensures that services are guided by the priorities set by the participant. The programs consist of: Community and Employment Services, Life Skills and Community Access, Newport House Residential Group Home, Home Sharing and Better at Home.

The child development stream ensures that families have access to the services they need, to work together and to ensure that services are guided by family priorities and the needs of the child/youth. The programs consist of: Infant Development, Physical & Occupational Therapy, Behavioural Support, Supported Child Development, Special Needs Resource and Fetal Alcohol Spectrum Disorder & Complex Developmental Behavioural Conditions.

Affordable Rental Housing Projects

The Society operates and manages Castle Rock Family Housing, a 40 unit government subsidized housing complex located in Squamish, B.C. The two, three and four bedroom townhomes are available for rent to families with children up to 18 years of age. As well, the Society operates and manages all 84 units of the Riverstones Housing Complex. The Society is responsible for collecting rent from all tenants and paying expenses applicable to the operation of all units. There are 5 buildings within the housing complex of which 2 are BC Housing Regulated Gross Income (RGI) units where rent is set at a fixed amount based on 30% of the tenant's gross income at time of application, which is then adjusted annually. The remaining 3 buildings are rented at fair market value to the general public. During the year, the Society completed the construction of Centrepoint, which contains 32 rental housing units. 15 of these units are owned by the Provincial Rental Housing Corporation. All units are operated by the Society and rented to tenants with low to moderate income.

Counselling/Outreach Services

This sector includes the Homeless Outreach program which is an innovative and flexible program that provides chronically or absolute homeless people direct access to housing, income assistance and community based health services. A Sexual Abuse Intervention Program provides one-to-one counselling and/or group therapy to children who have experienced sexual abuse. The Squamish Youth Resource Centre is a safe place where youth ages 13 to 24 years can drop in and access recreation, programs, youth events and concerts.

Sea to Sky Community Services Society
Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Purposes of the Society (continued)

Counselling/Outreach Services (continued)

Counselling Services for Women provides confidential one-to-one or group counselling to women who have been or are in an abusive relationship, are survivors of childhood sexual abuse or have been sexually assaulted.

Basis of Presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. They include the assets and liabilities and results of operations of the Society and its proportionate share of the Centrepoint joint venture with the United Church after elimination of intercompany transactions and balances.

Subsequent to year end, the venturers signed a Termination Agreement and Release to formally conclude the construction phase of the Centrepoint construction project (Note 13) and will no longer be operating a joint venture as of March 31, 2018.

Fund Accounting

The Society follows the restricted fund method of accounting for contributions. Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund. This fund reports unrestricted and restricted resources. The Capital Fund reports assets, liabilities, revenues and expenses related to the tangible capital assets (Note 9).

Tangible Capital Assets

Tangible capital assets are recorded at cost on the statement of financial position as tangible capital assets. Amortization is charged to the capital fund on a straight-line basis over the expected useful life of the assets. Amortization is provided as follows:

Buildings	40	years straight-line basis
Buildings under capital lease	20-36	years straight-line basis
Computer equipment	3	years straight-line basis
Furniture and equipment	10	years straight-line basis
Leasehold improvements	6	years straight-line basis
Paving/fencing	12	years straight-line basis
Vehicles	5	years straight-line basis
Construction in progress	0	as not yet available for use

In the event that facts and circumstances indicate that the Society's tangible capital assets no longer have any long-term service potential to the Society, the excess of the asset's net carrying amount over any residual value is recognized as an expense in the consolidated statement of operations.

Sea to Sky Community Services Society

Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition Unrestricted operating government grants are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Such grants, if contributed for a future period, are deferred and reported as deferred contributions until that future period.

Unrestricted donations are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted donations and grants are recognized as revenue in the appropriate restricted fund in the year in which the funds are received. Restricted donations and grants for which no fund exists are recognized in the unrestricted fund under the deferral method and are recognized as revenue in the year in which the related expenses are incurred. Amounts pledged for future periods, due to the inherent uncertainty of their collection, are not recognized until such a time that they are received or collection is reasonably assured.

Other unrestricted revenue, including user fees and childcare subsidies, are reported as revenue when services are provided, and amounts receivable can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized evenly each month over the term of the lease.

Contributed Services and Materials

Management has chosen to not recognize contributed materials or services for donations provided to the Society or directly associated with its programs. As such, these contributions to the Society have not been recognized in the Society's financial statements.

Use of Estimates

The preparation of financial statements in accordance 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 contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring management to exercise judgment on the determination of estimates include collectibility of accounts receivable, useful lives of tangible capital assets, the allocation of expenses to various programs and grants, and completeness of accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available and may impact future periods.

Income Taxes

The Society is exempt from income tax under Section 149(1)(l) of the Income Tax Act.

Sea to Sky Community Services Society Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Financial Instruments The Society's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, GST receivable, accounts payable and accruals, wages and benefits payable, government remittances payable, and mortgages payable. The Society has measured all of its financial instruments at amortized cost using the effective interest rate method.

In the event that facts and circumstances indicate that the Society's financial instruments have suffered a permanent decline in value, the excess of the financial instrument's carrying value over any net realizable value is recognized as an expense in the consolidated statement of operations.

2. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, bank balances and money market funds with maturity dates of less than three months.

The Society's bank accounts are held at one chartered bank and one credit union. The bank accounts earns interest at the current prevailing rates.

Restricted cash is comprised of the following:

	<u>2018</u>	<u>2017</u>
Castle Rock Replacement Reserve	110,407	86,504
Riverstones Replacement Reserve	164,931	163,032
Riverstones Strata Contingency Reserve Fund	63,416	48,112
Centrepoint Contingency Reserve Fund	5,295	-
Funds held in trust by BC Housing for Centrepoint construction costs	<u>51,571</u>	<u>-</u>
	\$ 395,620	\$ 297,648

The Society has an authorized operating line of credit in the amount of \$250,000 with a financial institution for working capital purposes, bearing interest at a rate of prime plus 1% per annum. As at year-end, the balance of the operating loan is \$Nil (2017 - \$Nil).

Sea to Sky Community Services Society
Notes to the Consolidated Financial Statements

March 31, 2018

3. Accounts receivable

	2018	2017
Grants and subsidies	\$ 346,971	\$ 180,123
Due from Squamish United Church (Note 13)	-	82,051
User fees	52,977	30,471
	\$ 399,948	\$ 292,645

Included in grants and subsidies receivable is \$203,266, of which \$110,496 relates to 2017, due from BC Housing representing management's best estimate of the additional subsidy required to bring the debt service ratio related to the Riverstones Affordable Rental Housing Project to 1 for 2018 (Note 10).

Management reviewed all user fees and tenant rent receivables at year end and wrote off any amounts that were considered not collectible as a bad debt expense. It is management's opinion that the Society is not exposed to significant credit risk arising from the balance of these receivables.

4. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings under capital lease	\$20,565,130	\$ 3,318,114	\$17,247,016	\$ 10,225,065
Computer equipment	11,874	3,958	7,916	-
Computer software	-	-	-	-
Construction in progress	13,129	-	13,129	7,838,614
Furniture and equipment	332,676	220,192	112,484	11,374
Leasehold improvements	812,646	774,683	37,963	63,836
Paving/fencing	37,524	17,511	20,013	22,514
Vehicles	-	-	-	-
	\$21,772,979	\$ 4,334,458	\$17,438,521	\$ 18,161,403

Sea to Sky Community Services Society
Notes to the Consolidated Financial Statements

March 31, 2018

5. Accounts Payable

	2018	2017
Trade payables	\$ 508,138	\$ 406,504
Construction payables	-	752,433
Construction holdbacks	-	314,895
Tenant security deposits	81,524	61,463
	\$ 589,662	\$ 1,535,295

6. Long-term Debt

	2018	2017
Castle Rock, Lot B Block R District Lot 4261 Plan, VAP23209, Squamish, BC, interest at 2.51% compounded semi-annually, repayable at \$21,320 per month, maturing February 1, 2027.	\$ 2,043,237	\$ 2,227,027
Riverstones housing complex, #101-106, #301-306 and #401-406 at each of 39846, 39854, 39858 Government Road, Squamish, BC, interest at 3.48% compounded semi-annually, repayable at \$35,757 per month, maturing May 1, 2024.	8,181,726	8,325,429
Centrepont - Residential housing complex, #308, #401-408, and #501-508 at 38020 4th Avenue, Squamish, B.C., interest at 2.886% compounded semi-annually, repayable at \$10,949 per month, maturing Feb 1, 2028.	2,895,984	-
Centrepont - Community Centre, Strata Lot 2 and 3, 38024 4th Avenue, Squamish, BC., interest at 3.85% compounded semi-annually, repayable at \$16,848 per month, maturing Nov 21, 2022.	3,881,509	-
Construction Loan	-	6,065,374
Total mortgage balance	\$17,002,456	\$ 16,617,830
Current portion of long-term debt	(459,789)	(382,027)
	\$16,542,667	\$ 16,235,803

The mortgages are secured by registered first charges against the mortgaged properties and an assignment of rents and insurance proceeds.

During the year the Society entered into mortgage agreements with two financial institutions for the Centrepont - Residential and the Centrepont - Community Centre mortgages. Proceeds from these mortgages were used in part to repay the outstanding balance of the construction loan from the BC Housing Management Commission.

Sea to Sky Community Services Society
Notes to the Consolidated Financial Statements

March 31, 2018

6. Long-term Debt (continued)

The following principal payments are required over the remaining terms of all mortgages:

Year	Amount
2019	\$ 459,789
2020	473,637
2021	488,267
2022	503,082
2023	518,453
Thereafter	<u>14,559,228</u>
	<u>\$ 17,002,456</u>

7. Deferred Contributions from Operations

The deferred contributions from operations are grants received in the current year that are designated for program funding in future periods.

	2018	2017
Castle Rock Housing	\$ 26,926	\$ 26,046
Homeless Outreach Program	9,284	9,112
Riverstones Housing	5,770	5,770
Homeless Prevention	7,501	7,417
Residential Program	2,865	2,865
Vancouver Coastal Health	3,974	3,978
Direct Access - Gaming	63,300	-
Pemberton Food Bank	33,000	-
	<u>\$ 152,620</u>	<u>\$ 55,188</u>

The changes in the deferred contributed balance for the year are as follows:

	2018	2017
Unamortized balance, beginning of year	\$ 55,188	\$ 134,210
Contributions received in the year	6,606,999	5,964,851
Recognized as revenue	<u>(6,509,567)</u>	<u>(6,043,873)</u>
Unamortized balance, end of year	<u>\$ 152,620</u>	<u>\$ 55,188</u>

Sea to Sky Community Services Society
Notes to the Consolidated Financial Statements

March 31, 2018

8. Grant and Donation Revenue

Grant revenue is from the following sources:

	<u>2018</u>	<u>2017</u>
Government of Canada	\$ 176,004	\$ 173,050
Province of British Columbia	5,411,594	4,824,660
Municipalities	286,998	447,996
Other - Charities and Corporations	<u>634,971</u>	<u>598,168</u>
Total grant revenue - operating	<u>\$ 6,509,567</u>	<u>\$ 6,043,874</u>

During the year, the Society entered into a forgivable loan agreement with the Sea to Sky Regional Hospital District for \$100,000 to be used towards the construction of the Centrepoint building. The loan is forgivable over 10 years, during which time the Society must use the Health Facility Area for Health Facility Use. The Society received \$100,000 under this agreement during the year and this amount has been recorded as grant revenue in these financial statements. In the event of default, the amount to be repaid will be pro-rated based on the term of the loan.

Donation revenue is derived primarily from corporations and individuals.

9. Restricted Funds and Inter-Fund Transfers - Measurement Uncertainty

Capital and operating program funding surpluses at year-end will be presented as externally restricted or internally restricted. Externally restricted funds are those received from funders for a stipulated purpose other than general operating, and internally restricted funds are those set aside by management or the board of directors for future capital and operating needs. Externally restricted funds are typically governed by contracts which set out how the funds and any resulting surpluses may be used.

However, many programs share the same purpose/mandate set out by the funder and, as a result, accumulated surpluses reported on a program by program basis are management's best estimate and may not be wholly restricted to that particular program but rather to a broad group of programs. As this determination is inherently uncertain, the classification between internally and externally restricted Fund Balances is difficult to establish. For this reason, management has chosen to present all operating surpluses as externally restricted even though they have some discretion as to how surplus funds are applied within the mandated purpose.

Sea to Sky Community Services Society
Notes to the Consolidated Financial Statements

March 31, 2018

9. Restricted Funds and Inter-Fund Transfers - Measurement Uncertainty (continued)

	Balance March 31 2017	2018 Surplus/ (Deficit)	2018 Interfund Transfers	Balance March 31 2018
Externally restricted				
Capital Campaign - 9134	\$ 27,690	\$ 135,814	\$ (163,504)	\$ -
New building - Squamish - 1112	-	238,612	(13,129)	225,483

During the year \$176,633 (2017 - \$123,915) was transferred within the capital fund to reflect acquisitions related to the Centrepont facility in Squamish (Note 13) and construction of other capital assets.

10. Commitments and Contractual Obligations

Castle Rock Family Housing Land Lease

The Society took over the lease of land that Castle Rock Family Housing is located on. The District of Squamish owns the land and has leased it to the Society under a 60 year term (initiated in 1991) for \$1, to be used solely for social housing. Upon termination of the lease or if the lease is terminated due to violation of the terms, the Society (tenant) will surrender possession of the lands and building to the District of Squamish (landlord).

Riverstones Affordable Rental Housing Project

The Squamish Riverstones Development ("SRD") consists of 84 stratified residential units for seniors and persons with disabilities and is established under two housing programs.

The first program consists of 54 residential units leased and operated by the Society under the Community Partnership Initiative ("CPI") Operating Agreement dated July 1, 2011. These units are owned by a private owner who has entered into a long term lease with the Society. The Society's leasehold interest in the CPI units has been financed by way of leasehold mortgage, as arranged by BC Housing (Note 6). Upon expiration of the lease on August 25, 2050, the right to use and operate the building will revert back to the private owner. Due to budgetary issues experienced by the housing programs, as described below, final acceptance and consideration for this leasehold mortgage was not approved by the Society until March 2014.

The second program consists of 30 residential units owned by the Provincial Rental Housing Corporation, and operated by the Society under the Seniors' Rental Housing Initiative ("SRHI") Operator Agreement dated July 1, 2011.

Under both agreements, the Society is responsible for collecting all rents and other revenue, and for paying out of such revenues all costs associated with the operation of the SRD. The agreements are effective for a 40 year term.

Sea to Sky Community Services Society Notes to the Consolidated Financial Statements

March 31, 2018

10. Commitments and Contractual Obligations (continued)

Riverstones Affordable Rental Housing Project (continued)

Due to various estimation issues that occurred during the development stage, the Society experienced unexpected increases in operating costs creating a projected deficiency for the housing programs. The Society indicated to BC Housing that they required protection from any losses arising from these programs. In March 2014, the Society and BC Housing agreed to amend the original agreement to protect the Society from any losses and an updated agreement was signed in December 2014 to reflect this change. The amendment is effective December 1, 2010 and includes two new clauses which state that: 1) BC Housing will pay the difference if units are rented below a set rate, and 2) BC Housing will, to the extent necessary, make further subsidy payments to the Society to achieve a debt servicing coverage of 1.00. BC Housing will not pay this additional subsidy to the extent there are accumulated surpluses from prior years.

As at March 31, 2017, the Society's cumulative surplus from prior years was \$551, and a subsidy of \$111,047 was required to bring the debt servicing coverage ratio to 1.00. Therefore the Society recorded \$110,496 in the 2017 financial statements representing the estimated additional subsidy receivable under the SRHI agreement. As at March 31, 2018, this subsidy had not yet been received, and a further subsidy of \$92,770 was required in 2018 to bring the debt servicing coverage ratio to 1.00 for the year. This amount has been recorded in these financial statements.

Centrepont Affordable Housing Project

During the year, the Society completed the construction of the Centrepont Apartments. Upon completion, 15 of the 32 rental units constructed were purchased by the Provincial Rental Housing Corporation (PRHC) for \$2,800,000. On April 1, 2016, the Society and BC Housing entered into two operating agreements for the rental units, the Community Partnership Initiative Operating Agreement (CPIOA) and the Investment in Affordable Housing Short Form Operator Agreement (IAHOA).

The IAHOA pertains to the operation of the 15 residential units owned by the PRHC and is for a term of 5 years. It specifies that the residential units will be managed and operated by the Society for the provision of rental housing to low and moderate income households.

The CPIOA governs the operation and management of the 17 rental units owned by the Society. The term of this agreement is 40 years from the commencement date of April 1, 2016 and states that the purpose is to provide housing for households with low to moderate incomes, with at least 51% of the units being offered at below market rent.

The agreement also provides that rental revenue collected by the Society will be used to cover all operating and other costs for the program. Surpluses may be used to increase the number of units being offered at below market rent or may be required to be repaid to BC Housing. BC Housing will not be responsible for any operating deficits or extraordinary expenses.

Sea to Sky Community Services Society Notes to the Consolidated Financial Statements

March 31, 2018

10. Commitments and Contractual Obligations (continued)

Centrepont Post-Construction Phase

Upon completion of construction on the Centrepont building, the Society and the Squamish United Church entered into the post-construction phase of the master agreement for the Centrepont project. This phase involves a space-sharing agreement including a 99 year lease provided to the Church for \$1. Both parties also became members of the new strata corporation, The Owners, Strata EPS 4384, and share the costs to maintain the common area property in accordance with the strata bylaws.

Program Funding Commitment

On April 1, 2017 the Society renewed an agreement with the Sunshine Coast Community Services Society ("SCCSS") to provide a maximum of \$60,000/year from April 1, 2017 to March 31, 2020 to cover direct expenses of the Parent-Tot drop in program administered by SCCSS.

Lease Payments

The Society has committed to a number of leases for vehicles, equipment and premises. The minimum lease payments, including GST and operating costs incorporated into the agreements, in each of the next five years are as follows:

Year	Vehicles	Equipment	Premises	Total
2019	\$ 11,362	\$ 18,279	\$ 90,281	\$ 119,922
2020	8,941	9,416	84,281	102,638
2021	7,421	8,200	84,281	99,902
2022	7,421	4,552	84,281	96,254
2023	618	3,220	21,070	24,908
Total	\$ 35,763	\$ 43,667	\$ 364,194	\$ 443,624

11. Municipal Pension Plan

The Society and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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.

Sea to Sky Community Services Society Notes to the Consolidated Financial Statements

March 31, 2018

11. Municipal Pension Plan (continued)

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

Employers participating in the Plan record their pension expense as the amount of employer contributions 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and costs to individual entities participating in the Plan.

The Society paid \$256,775 (2017 - \$254,172) for employer contributions to the Plan in fiscal 2018.

12. Economic Dependence

The Province of British Columbia provided 59% (2017 - 56%) of the Society's revenue recognized in 2018. As a result, the Society is economically dependent on the provincial government for the funding required to deliver its services and programs.

13. Centrepont Joint Venture with Squamish United Church ("Church")

On June 19, 2012, and amended on October 16, 2013 and February 3, 2016, the Society and the Church signed a master agreement whereby the parties agreed to jointly develop and build a facility (Centrepont) to house programs of the Church and the Society, and to construct 32 low to moderate rental residential units ("residential units"). As part of the agreement, the Church transferred legal and beneficial ownership of five parcels of land to the Society with an option to purchase. Upon completion, the Church and the Society entered into a contract of purchase and sale for their own strata lots and a space sharing agreement.

The Society used a construction loan in place with British Columbia Housing Management Commission ("BCHMC") for a maximum of \$9,792,473 to fund planning and construction costs. As a condition of this loan, BCHMC agreed to purchase units of the Centrepont building upon completion for \$2,800,000, at which time, the construction loan was replaced with two mortgages as described in Note 6. The sale of 15 residential units to the Provincial Rental Housing Corporation (PRHC) took place September 13, 2017. The Society also invested its own equity into the project, including grant and donation revenues specifically received for the project.

Sea to Sky Community Services Society Notes to the Consolidated Financial Statements

March 31, 2018

13. Centrepoint Joint Venture with Squamish United Church ("Church") (continued)

On May 9, 2018 the Church and the Society signed a Termination Agreement and Release (the "Release") concluding the construction phase of the project. The Release provides for the final settlement of accounts between parties and affirms that the construction phase and joint venture described in the original master agreement has ended. The post-construction phase, as described in the master agreement, is affirmed to be ongoing in the Release and is described in Note 10.

14. Financial Instrument Risk

The Society, through its financial instruments, is exposed to various risks. The following analysis provides an assessment of those risks as at March 31, 2018. These risks remain unchanged from prior year.

Credit Risk

Credit risk is the risk of loss to the Society if a counterparty to a financial instrument fails to meet its contractual obligations. The Society is exposed to credit risk from its cash and cash equivalents, and accounts receivable. As at March 31, 2018, the Society's maximum exposure to credit risk is \$1,989,803 (2017 - \$928,452).

To mitigate the risk, the Society has deposited its cash and cash equivalents with reputable financial institutions.

Grants and subsidies receivable of \$346,971 (2017 - \$180,123) are due from various levels of governments and governmental organizations, therefore any credit risk associated with these receivables is limited to the estimation uncertainty on the amount of the additional subsidy expected as described in Note 3.

Liquidity Risk

Liquidity risk is the risk that the Society may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, wages and benefits payable, government remittances payable and mortgage payable. The Society manages its liquidity by matching expenditures to approved funding and by carrying sufficient cash reserves to meet its current obligations. It also has an authorized operating line of credit available in the amount of \$250,000 to utilize when necessary.

Sea to Sky Community Services Society
Notes to the Consolidated Financial Statements

March 31, 2018

14. Financial Instrument Risk (continued)

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. The Society is exposed to fluctuations in interest rates which impact the fair value and future cashflows on its mortgages payable. As at March 31, 2018, the recorded value of instruments subject to interest rate risk totaled \$17,002,456 (2017 - \$16,617,380).

It is Management's opinion that the Society is not exposed to significant currency risks.

15. Contingent Liabilities

The Society is from time to time named in legal claims against the Society in varying and unspecified amounts. The outcome of these claims cannot reasonably be determined at this time. Any ultimate settlements will be recorded in the year the settlements occur.

16. New Societies Act of British Columbia

On November 28, 2016 the Society Act (BC) was repealed and replaced with the Societies Act (BC) ("New Act"). The New Act requires that all Societies transition to the New Act before November 28, 2018. The Society completed the transition process during the fiscal year ended March 31, 2018.

The New Act requires that the Society disclose the total remuneration paid to the Directors, for either being a director or for acting in another capacity, as well as the total number of employees or contractors with annual remuneration equal to or greater than \$75,000 and the aggregate remuneration of those employees/contractors.

During the years ended March 31, 2018 and March 31, 2017, there was one employee paid in excess of \$75,000 for total remuneration of \$123,600 (2017 - \$89,125) and there was no remuneration paid to directors.

17. Interfund Transfers and Loans

Tangible capital assets net of mortgages payable are from the invested in tangible capital assets fund. All other assets and liabilities are part of the operating fund. At March 31, 2018, \$225,473 was owing to the capital fund (2017 - \$27,690).

18. Comparative Figures

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