

Sea to Sky Community Services Society
Consolidated Financial Statements
For the year ended March 31, 2017

**Sea to Sky Community Services Society
Consolidated Financial Statements
For the year ended March 31, 2017**

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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, 2017, 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.

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, 2017 and 2016, current assets and net assets as at March 31, 2017 and 2016, and net assets as at April 1, 2016 and 2015. Our audit opinion on the consolidated financial statements for the year ended March 31, 2016 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, 2017 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

August 10, 2017
Whistler, British Columbia

Sea to Sky Community Services Society
Consolidated Statement of Financial Position

For the year ended March 31 2017 2016

Assets

Current

Cash and cash equivalents (Note 2)	\$ 338,159	\$ 189,280
Restricted cash (Note 2)	297,648	285,100
Accounts receivable (Note 3)	292,645	172,811
GST receivable	103,068	8,919
Prepaid expenses and deposits (Note 10)	240,226	47,685

1,271,746 703,795

Tangible Capital Assets (Note 4)

18,161,403 11,739,084

\$19,433,149 **\$ 12,442,879**

Liabilities and Fund Balances

Liabilities

Current

Accounts payable and accruals (Note 5)	\$ 1,535,295	\$ 365,877
Wages and benefits payable	217,872	329,900
Pre-development loans (Note 6)	40,562	318,257
Government remittances payable	64,487	63,426
Current portion of mortgages payable (Note 7)	327,493	315,072
Deferred contributions from operations (Note 9)	55,188	134,210
Current portion of construction loan (Note 8)	54,534	-

2,295,431 1,526,742

Mortgages Payable (Note 7)

10,224,963 10,552,456

Construction Loan (Note 8)

6,010,840 -

18,531,234 12,079,198

Fund Balances - Operating

Externally restricted (Note 11) 356,493 327,404

Fund Balances - Capital

Invested in tangible capital assets	517,732	553,297
Externally restricted - capital fund (Note 11)	27,690	(407,351)
Internally restricted - capital fund (Note 11)	-	(109,669)

901,915 363,681

\$19,433,149 **\$ 12,442,879**

Approved on behalf of the Board:

Director
Director

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 Operations

For the year ended March 31	2017	2016
Revenue		
Grants (Note 10)	\$ 6,043,873	\$ 5,979,464
Donations - receipted (Note 10)	262,215	173,046
Donations - unreceipted (Note 10)	333,363	23,004
Fundraising	183,821	63,385
Sales revenue - Reuse It	20,443	47,968
Childcare subsidies	32,156	14,918
User fees	804,506	842,727
Workshop revenue	11,595	42,308
Interest	6,052	6,787
Miscellaneous income	670	4,896
Rent	939,768	892,807
	8,638,462	8,091,310
Expenses		
Advertising	11,873	8,996
Amortization	480,975	484,417
Bank charges and interest	29,471	15,870
Bad debts (Note 3)	5,418	544
Client expense reimbursements	27,396	9,682
Contractor fees	444,446	448,048
Fees, licences and dues	17,169	18,345
Food	113,903	140,848
Freight	1,060	1,352
Fundraising costs	26,269	49,458
Honoraria	17,476	20,249
Insurance	82,482	78,108
Mortgage interest	389,644	402,260
Office and miscellaneous	372,591	367,307
Professional fees	63,397	51,969
Recreation and child care fees	13,357	22,134
Rent of facilities	378,010	458,383
Repairs and maintenance	209,342	204,324
Telephone, cable and Internet	63,225	70,776
Training costs	44,296	47,729
Utilities	306,550	347,090
Vehicles	113,213	135,079
Wages and benefits	4,888,665	4,984,109
	8,100,228	8,367,077
Excess (deficiency) of revenue over expenses for the year	\$ 538,234	\$ (275,767)

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	2017	2016
Balance, beginning of year	\$ 36,277	\$ 327,404	\$ 363,681	\$ 639,448
Revenue	686,613	7,951,849	8,638,462	8,091,310
Expenses	(631,570)	(7,468,658)	(8,100,228)	(8,367,077)
Excess (deficiency) of revenue over expenses for the year	55,043	483,191	538,234	(275,767)
Capital acquisition (Note 11)	6,911,986	(6,911,986)	-	396,234
Capital acquisition financed by debt	(5,787,679)	5,787,679	-	-
Capital acquisition financed by working capital	(985,277)	985,277	-	-
Mortgage principal payments	315,072	(315,072)	-	-
Interfund transfer (Note 11)	-	-	-	(396,234)
Balance, end of year	\$ 545,422	\$ 356,493	\$ 901,915	\$ 363,681
Represented by				
Internally restricted	\$ -	\$ -	\$ -	\$ -
Externally restricted	-	356,493	356,493	327,404
Unrestricted	-	-	-	-
Invested in tangible capital assets	517,732	-	517,732	553,297
Externally restricted - capital fund	27,690	-	27,690	(407,351)
Internally restricted - capital fund	-	-	-	(109,669)
	\$ 545,422	\$ 356,493	\$ 901,915	\$ 363,681

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	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 538,234	\$ (275,767)
Items not requiring cash		
Amortization	480,975	484,417
Loss on disposal of tangible capital assets	8,692	-
Deferred contributions recognized as revenue	(134,210)	(176,723)
Changes in non-cash working capital balances		
Accounts receivable	(37,783)	87,738
GST receivable	(94,149)	38,708
Prepaid expenses and deposits	(192,541)	(5,678)
Accounts payable and accruals	102,090	25,059
Wages and benefits payable	(112,028)	(14,938)
Contributions received and deferred	55,188	134,210
Government remittances payable	1,061	11,192
	<u>615,529</u>	<u>308,218</u>
Investing activities		
Tangible capital assets acquired	(6,911,986)	(396,234)
Construction costs financed by working capital	985,277	-
	<u>(5,926,709)</u>	<u>(396,234)</u>
Financing activities		
Repayment of mortgages payable	(315,072)	(302,450)
Pre-development loan funding (repayment)	(277,695)	180,134
Construction loan funding	6,065,374	-
Increase in restricted cash (Note 2)	(12,548)	(67,611)
	<u>5,460,059</u>	<u>(189,927)</u>
Increase (decrease) in cash during the year	148,879	(277,943)
Cash, beginning of year	<u>189,280</u>	<u>467,223</u>
Cash, end of year	<u>\$ 338,159</u>	<u>\$ 189,280</u>

Sea to Sky Community Services Society

Notes to the Consolidated Financial Statements

March 31, 2017

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 numerous 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.

Sea to Sky Community Services Society

Notes to the Consolidated Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

Purposes of the Society (continued)

Child Care Centres & Child Care Resources and Referral

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. Sea to Sky Community Services continues to provide a wide range of child care and preschool services for children between the ages of 3 months and 12 years. Currently the Society operates nine licensed programs in three facilities, three in Pemberton and six in Squamish.

Community Living Services

This sector includes Newport House, a residential group home located in Squamish, B.C. for adults living with a developmental disability. Their goal is to provide assistance and support to enhance as much independence as possible through work, social opportunities and community inclusion. The Life Skills and Community Access programs provides individual and group opportunities for persons with developmental disabilities to acquire daily living skills, access to community resources and to practice communication and social skills. The Better at Home program will provide seniors with additional voluntary support to help them stay in their homes longer, remain independent and socialize. Physical and Occupational Therapy programs work with the community, families, professionals and School District #48 to deliver family support, occupational and physical therapy, consultation and monitoring to children with special needs throughout the Sea to Sky Corridor.

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.

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

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

**Purposes of the
Society (continued)**

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. 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. The Support Recovery House is a 3-month residential facility for men and women over the age of 19 who are in recovery from an addiction and are re-integrating back into the community. The Positive Action offers practical learning opportunities for children, young people, and families to reach their best potential and decrease negative behaviours.

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.

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 11).

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

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

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 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.

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 which 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.

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

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

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.

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, pre-development loans, construction loan, 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 funds consists of cash set aside of \$86,504 (2016 - \$88,579), \$163,032 (2016 - \$164,855) and \$48,112 (2016 - \$31,666) for Castle Rock, Riverstones and Riverstones Strata capital replacements and improvements, respectively.

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

March 31, 2017

2. Cash and Cash Equivalents (continued)

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 (2016 - \$Nil).

3. Accounts receivable

	2017	2016
Grants and subsidies	\$ 180,123	\$ 137,473
Due from Squamish United Church (Note 15)	82,051	6,888
User fees	30,471	28,450
	\$ 292,645	\$ 172,811

Included in grants and subsidies receivable is \$110,496 (2016 - \$Nil) 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 (Note 12) to 1 for 2017.

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

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings under capital lease	\$ 12,823,416	\$ 2,598,351	\$ 10,225,065	\$ 10,629,996
Computer equipment	-	-	-	1,369
Construction in progress	7,838,614	-	7,838,614	966,597
Furniture and equipment	217,026	205,652	11,374	22,563
Leasehold improvements	812,646	748,810	63,836	89,710
Paving/fencing	37,524	15,010	22,514	28,849
	\$ 21,729,226	\$ 3,567,823	\$ 18,161,403	\$ 11,739,084

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

March 31, 2017

5. Accounts Payable

	2017	2016
Trade payables	\$ 406,504	\$ 304,022
Construction payables	752,433	-
Construction holdbacks	314,895	-
Tenant security deposits	61,463	61,855
	\$ 1,535,295	\$ 365,877

6. Pre-development Loans

	2017	2016
Greater Vancouver Community Assistance Foundation promissory note of \$99,500, accruing interest at 2% annually which is capitalized to the note until construction for the Centre point Joint Venture (Note 15) begins. Note is being repaid in three negotiated installments, with the final payment made in April 2017 and paid in full.	\$ 40,562	\$ 107,101
BC Housing pre-development loan authorized to a maximum of \$214,725 including GST towards eligible expenditures, accruing interest at 1.5% annually which is capitalized to the loan. During the year the BCHMC pre-development loan was transferred into the construction loan (Note 8).	-	211,156
	\$ 40,562	\$ 318,257

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

March 31, 2017

7. Mortgages Payable

	2017	2016
Castle Rock	\$ 2,227,027	\$ 2,403,268
Riverstones	8,325,429	8,464,260
Total mortgage balance	\$ 10,552,456	\$ 10,867,528
Current portion of long-term debt	(327,493)	(315,072)
	\$ 10,224,963	\$ 10,552,456

Castle Rock

Canada Mortgage & Housing Corporation, Castle Rock housing complex, Lot B Block R District Lot 4261 Plan, VAP23209, Squamish, B.C., interest at 4.37% compounded semi-annually, repayable at \$23,054 per month. Interest rate and payments are scheduled to be re-negotiated March 1, 2018, with the mortgage maturing February 1, 2027.

Mortgage is secured by a registered first charge and by an assignment of rents and fire insurance proceeds on the property.

Riverstones

Canada Mortgage & Housing Corporation, Riverstones housing complex, #101-106, #301-306 and #401-406 at each of 39846, 39854, 39858 Government Road, Squamish, B.C., interest at 3.48% compounded semi-annually, repayable at \$35,757 per month, maturing May 1, 2024.

The following principal payments are required over the remaining term of the debt:

Year	Amount
2018	\$ 327,493
2019	338,628
2020	351,714
2021	365,309
2022	379,432
Thereafter	8,789,880
	\$ 10,552,456

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

March 31, 2017

8. Construction Loan

	2017	2016
BCHMC loan	\$ 6,065,374	\$ -
Estimated current portion of replacement mortgages	(54,534)	-
	\$ 6,010,840	\$ -

British Columbia Housing Management Commission ("BCHMC") has made available a loan secured through a first mortgage on the lands and premise of the Centrepoint construction project. The loan will bear interest at a variable rate which is capitalized to the loan until the final advance of principal. Upon completion, BCHMC has also agreed to purchase units in the Centrepoint building for \$2,800,000 (Note 15).

The principal amount of the loan is not to exceed \$9,792,473 during construction, and upon completion of the project and after the units are sold to BCHMC, the principal will be reduced to an amount not exceeding \$2,584,960. The Society has received a commitment from a financial institution to provide a mortgage of \$3,900,000 upon completion. Both loans will be amortized over 35 years, and require monthly principal and interest payments, with interest rates not yet determined.

The Centrepoint building is expected to be completed in the summer of 2017, at which point agreements will be finalized to convert the construction loan into these other loans and monthly payments will begin. Assuming a start date of September 1, 2017, an interest rate of 3.7% per annum, and a combined loan value of \$6,484,960 at that time, payments will be approximately \$27,800 per month, and an estimate of the principal payments over the next five years are summarized below. Using this estimate, \$54,534 of the construction loan has been classified as a current liability. However, the actual timing, payments and current portion of the debt will not be known until construction is complete and all loan agreements are negotiated.

Year	Amount
2018	\$ 54,534
2019	95,504
2020	99,038
2021	102,702
2022	106,502

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

March 31, 2017

9. 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.

		<u>2017</u>	<u>2016</u>
Castle Rock Housing	9006	\$ 26,046	\$ 26,046
Homeless Outreach Program	7504	9,112	9,112
Riverstones Housing	9008	5,770	5,770
Homeless Prevention	7585	7,417	7,417
Residential Program	5136	2,865	2,865
Vancouver Coastal Health	3256	3,978	-
Direct Access - Gaming	3517	-	45,000
Pemberton Food Bank	9023	-	33,000
Community Planning Partnership	9670	-	5,000
		<u>\$ 55,188</u>	<u>\$ 134,210</u>

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

	<u>2017</u>	<u>2016</u>
Unamortized balance, beginning of year	\$ 134,210	\$ 176,723
Contributions received in the year	5,964,851	5,936,951
Recognized as revenue	<u>(6,043,873)</u>	<u>(5,979,464)</u>
Unamortized balance, end of year	<u>\$ 55,188</u>	<u>\$ 134,210</u>

10. Grant and Donation Revenue

Grant revenue is from the following sources:

	<u>2017</u>	<u>2016</u>
Government of Canada	\$ 173,050	\$ 193,519
Province of British Columbia	4,824,660	4,886,319
Municipalities	447,996	271,874
Other - Charities and Corporations	<u>598,167</u>	<u>627,752</u>
Total grant revenue - operating	<u>\$ 6,043,873</u>	<u>\$ 5,979,464</u>

Donation revenue is derived primarily from corporations and individuals.

Grants from municipalities and prepaid expenses and deposits includes \$188,000 held by the British Columbia Housing Management Commission ("BCHMC") on behalf of the Society, which represents a contribution received from the District of Squamish towards the Society's share of the Centrepoint residential housing construction costs (Note 15).

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

March 31, 2017

11. 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.

	Balance March 31 2016	2017 Surplus/ (Deficit)	2017 Interfund Transfers	Balance March 31 2017
Capital fund:				
Internally restricted				
Other	\$ (746)	\$ 674	\$ 72	\$ -
Centrepont Joint Venture - 1115 (Note 15)	(108,923)	(14,920)	123,843	-
	\$ (109,669)	\$ (14,246)	\$ 123,915	\$ -
Externally restricted				
Capital Campaign - 9134	\$ (407,351)	\$ 558,956	\$ (123,915)	\$ 27,690

During the year \$123,915 (2016 - \$396,234) was transferred within the capital fund to reflect acquisitions related to the Centrepont facility in Squamish (Note 15).

12. Commitments and Contractual Obligations

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.

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

March 31, 2017

12. Commitments and Contractual Obligations (continued)

Riverstones Affordable Rental Housing Project (continued)

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 7). 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.

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, 2016, 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 has recorded \$110,496 in these financial statements representing the estimated additional subsidy receivable under the SRHI agreement.

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).

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.

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

March 31, 2017

12. Commitments and Contractual Obligations (continued)

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
2018	\$ 4,559	\$ 14,182	\$ 172,691	\$ 191,432
2019	4,559	13,727	90,281	108,567
2020	1,520	4,864	84,281	90,665
2021	-	3,648	84,281	87,929
2022	-	-	84,281	84,281
Total	\$ 10,638	\$ 36,421	\$ 515,815	\$ 562,874

13. 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 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 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 is then adjusted to the extent there is amortization of any funding deficit.

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. 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 \$254,172 (2016 - \$257,845) for employer contributions to the Plan in fiscal 2017.

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

March 31, 2017

14. Economic Dependence

The Province of British Columbia provided 56% (2016 - 61%) of the Society's revenue recognized in 2017. As a result, the Society is economically dependent on the provincial government for the funding required to deliver its services and programs.

15. Centrepoint Joint Venture with Squamish United Church ("Church")

On June 19, 2012, and amended on October 16, 2013, the Society and the Church signed a master agreement whereby the parties agreed to jointly develop and build a facility (Centrepoint) 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 will enter into a contract of purchase and sale for their own strata lots and a space sharing agreement.

Soft and shared costs are being shared based on estimated square footage to be occupied by each party upon completion of construction, currently set at 91.52% (2016 - 91.52%) for the Society, of which 52% is attributable to the residential units. Construction costs are being shared based on the building requirements of each venturer. As of March 31, 2017, 84.15% of construction costs were attributable to the Society, of which 57.7% is attributable to the residential units.

The Society currently has a pre-development loan in place (Note 6) which funded a portion of planning activities. The Society also has 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 (Note 8). As a condition of this loan, BCHMC has agreed to purchase units of the Centrepoint building upon completion for \$2,800,000, at which time, the construction loan will be replaced with two mortgages as described in Note 8. The Society is also investing its own equity into the project, including grant and donation revenues specifically received for the project.

The Society has engaged CPA Development Consultants to act on behalf of the Society to coordinate with government organizations to secure project funding and to provide development management services, which include the provision of general administrative services, municipal approvals, financing services, and detailed design and construction services. The fees for these services have been set at a maximum of \$6,000 per month plus disbursements and will not exceed \$144,000 plus disbursements.

As of March 31, 2017, the building was under construction and the Society has incurred total development and construction costs of \$7,838,614, of which \$6,872,017 was recorded as construction in progress in the current year. Anticipated completion of the building is in the summer of 2017.

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

March 31, 2017

16. 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, 2017.

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, 2017, the Society's maximum exposure to credit risk is \$928,452 (2016 - \$647,191).

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

Grants and subsidies receivable of \$450,174 (2016 - \$144,361) 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, pre-development loan, government remittances payable, construction loan 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.

As the Society completes the Centrepont construction project it may be exposed to increased short-term liquidity risk due to the timing of construction costs, the receipt of financing and the receipt of grants and donations. The Society will mitigate this risk by forecasting the timing of cashflows, managing payment terms and the conversion of the construction loan to other loans, relying on provincial and other sources of financing, as well as its unused line of credit if necessary.

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 pre-development loan, construction loan, and mortgages payable. As at March 31, 2017, the recorded value of instruments subject to interest rate risk totaled \$16,603,858 (2016 - \$11,185,785).

This assessment of exposure to risks is unchanged from the prior year.

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

March 31, 2017

17. 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.

18. 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 expects to complete the transition process during the fiscal year ended March 31, 2018.

Even though this transition has not been completed, 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, 2017 and March 31, 2016, there was one employee paid in excess of \$75,000 and there was no remuneration paid to directors.

19. Comparative Figures

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