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Financial Statements of

SLOCAN VALLEY SENIORS' HOUSING SOCIETY

March 31, 2019



Grant Thornton

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SLOCAN VALLEY SENIORS' HOUSING SOCIETY

Index to Financial Statements

March 31, 2019

Independent Auditor's Report	- Page 1 - 3
Statement of Financial Position	- Page 4
Statement of Operations	- Page 5
Statement of Change in Net Assets	- Page 6
Statement of Cash Flows	- Page 7
Notes to Financial Statements	- Pages 8 - 11
Schedule of Passmore Lodge Financial Position	- Page 12
Schedule of Passmore Lodge Operations and Fund Balances	- Page 13



INDEPENDENT AUDITOR'S REPORT

To the Members of the
Slocan Valley Seniors' Housing Society

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Opinion

We have audited the accompanying financial statements of the Slocan Valley Seniors' Housing 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 Slocan Valley Seniors' Housing Society as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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.

Other Matters

The financial statements of the Slocan Valley Seniors' Housing Society for the year ended March 31, 2018, were audited by Berg Lehmann Chartered Professional Accountants who expressed an unmodified opinion on those statements on August 20, 2018.

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

Management is responsible for the preparation and fair presentation of these 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 Society's preparation and fair presentation of the 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Grant Thornton LLP

Chartered Professional Accountants

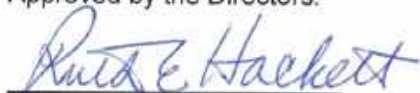
October 1, 2019

Nelson, B.C.

SLOCAN VALLEY SENIORS' HOUSING SOCIETY
STATEMENT OF FINANCIAL POSITION
As At March 31, 2019

ASSETS	General Society	Passmore Lodge	Slocan City Suites	2019 Total	2018 Total
CURRENT ASSETS					
Cash	\$ 10,674	\$ 19,888	\$ 93,474	\$ 124,036	\$ 187,033
Accounts receivable	-	8,700	59,330	68,030	164,342
Prepaid expenses	-	360	4,326	4,686	2,830
Interfund balances	(1,936)	(832)	2,768	-	-
	8,738	28,116	159,898	196,752	354,205
CASH - RESTRICTED	-	35,786	-	35,786	30,442
CAPITAL ASSETS (note 3)	-	816,642	2,452,727	3,269,369	1,473,620
	\$ 8,738	\$ 880,544	\$ 2,612,625	\$ 3,501,907	\$ 1,858,267
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,929	\$ 14,947	\$ 87,068	\$ 103,944	\$ 161,637
BC Housing subsidy paid in advance	-	6,144	-	6,144	6,144
Current portion of long-term debt	-	30,400	10,800	41,200	29,400
	1,929	51,491	97,868	151,288	197,181
SECURITY DEPOSITS	-	2,881	4,737	7,618	3,021
BC HOUSING FORGIVABLE LOAN (note 4)	-	7,000	-	7,000	8,000
BC HOUSING FORGIVABLE MORTGAGE (note 5)	-	-	1,476,593	1,476,593	530,448
LONG-TERM DEBT (note 6)	-	559,766	630,345	1,190,111	590,150
	1,929	621,138	2,209,543	2,832,610	1,328,800
NET ASSETS					
Invested in capital assets	-	226,476	334,989	561,465	323,622
Replacement reserve	-	42,815	-	42,815	34,052
Fund net assets	6,809	(9,885)	68,093	65,017	171,793
	6,809	259,406	403,082	669,297	529,467
	\$ 8,738	\$ 880,544	\$ 2,612,625	\$ 3,501,907	\$ 1,858,267
CONTINGENT LIABILITY (note 9)					

Approved by the Directors:





SLOCAN VALLEY SENIORS' HOUSING SOCIETY

STATEMENT OF OPERATIONS

For the Year Ended March 31, 2019

	General Society	Passmore Lodge	Slocan City Suites	2019 Total	2018 Total
REVENUE					
BC Housing - rent subsidies \$	-	\$ 73,728	\$ -	\$ 73,728	\$ 72,922
BC Housing - other funding	-	1,295	-	1,295	8,652
BC Housing - forgivable loan	-	1,000	-	1,000	1,000
Rent contributions	-	70,284	35,294	105,578	67,203
Grants - CBT and RDCK	6,428	978	81,000	88,406	166,566
Grants - Other	-	-	44,500	44,500	15,000
Donations	1,483	-	-	1,483	1,094
Donations - in kind	-	484	570	1,054	26,210
Interest and other income	170	262	1,937	2,369	338
Membership fees	350	-	-	350	260
	8,431	148,031	163,301	319,763	359,245
EXPENDITURES					
Admin wages and benefits	-	5,246	-	5,246	4,752
Advertising and promotion	255	-	-	255	133
Audit and legal	-	8,600	8,470	17,070	8,700
Board expenses	1,452	-	-	1,452	1,159
General administration	-	6,574	1,547	8,121	5,928
General maintenance	-	-	-	-	-
- building	-	25,383	-	25,383	24,752
- grounds	-	7,811	4,830	12,641	1,346
General utilities and water	-	17,949	996	18,945	22,932
Insurance and dues	85	10,412	1,969	12,466	10,034
Mortgage payments	-	49,191	1,500	50,691	49,191
Office expense	2,541	-	838	3,379	179
Outreach programs	5,850	-	-	5,850	5,980
Property tax	-	330	800	1,130	478
Replacement reserve provision	-	8,640	-	8,640	8,640
Service contracts and consultants	-	12,778	-	12,778	15,744
	10,183	152,914	20,950	184,047	159,948
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES					
	\$ (1,752)	\$ (4,883)	\$ 142,351	\$ 135,716	\$ 199,297

SLOCAN VALLEY SENIORS' HOUSING SOCIETY
STATEMENT OF CHANGE IN NET ASSETS
For the Year Ended March 31, 2019

	General Society	Passmore Lodge	Slocan City Suites	2019 Total	2018 Total
NET ASSETS, BEGINNING OF YEAR	\$ 8,561	\$ 260,175	\$ 260,731	\$ 529,467	\$ 331,838
Add:					
Replacement Reserve					
Provision	-	8,640	-	8,640	8,640
Interest	-	123	-	123	271
Mortgage principal paid	-	29,383	-	29,383	28,440
Deduct:					
Replacement Reserve					
Expenditures	-	-	-	-	(2,500)
Amortization	-	(34,032)	-	(34,032)	(35,242)
BC Housing adjustment	-	-	-	-	(1,277)
	8,561	264,289	260,731	533,581	330,170
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,752)	(4,883)	142,351	135,716	199,297
NET ASSETS, END OF YEAR	\$ 6,809	\$ 259,406	\$ 403,082	\$ 669,297	\$ 529,467

SLOCAN VALLEY SENIORS' HOUSING SOCIETY
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2019

	General Society	Passmore Lodge	Slocan City Suites	2019 Total	2018 Total
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Cash received from:					
BC Housing - subsidies \$	-	\$ 73,728	\$ -	\$ 73,728	\$ 72,908
BC Housing - other	-	6,632	-	6,632	3,315
Rent and deposits	-	70,774	40,046	110,820	67,778
Grants	6,428	-	124,750	131,178	181,566
Donations and sundry	1,483	-	1,818	3,301	1,868
Memberships	350	-	-	350	260
Cash used for:					
Wages and contractors	(5,069)	(30,715)	(1,388)	(37,172)	(27,334)
Materials and services	(3,185)	(60,848)	(13,118)	(77,151)	(80,613)
Net transfers between fund accounts	923	1,965	(2,888)	-	-
Net cash flows received from operating activities	930	61,536	149,220	211,686	219,748
CASH FLOWS FROM					
FINANCING ACTIVITIES					
Cash received from:					
BC Housing advances	-	-	1,662,406	1,662,406	432,102
Cash used for:					
Interest paid on long-term debt	-	(20,751)	-	(20,751)	(20,751)
Repayments of long-term debt	-	(28,440)	-	(28,440)	(28,440)
Net cash flows from (used for) financing activities	-	(49,191)	1,662,406	1,613,215	382,911
CASH FLOWS FROM					
INVESTING ACTIVITIES					
Cash received from:					
Interest on deposits	170	385	250	805	517
Cash used for:					
Replacement reserve expenditures	-	-	-	-	(2,500)
Capital expenditures	-	(914)	(1,882,445)	(1,883,359)	(505,149)
Net cash flows received from (used for) investing activities	170	(529)	(1,882,195)	(1,882,554)	(507,132)
INCREASE (DECREASE) IN CASH	1,100	11,816	(70,569)	(57,653)	95,527
CASH, BEGINNING OF YEAR	9,574	43,858	164,043	217,475	121,948
CASH, END OF YEAR	\$ 10,674	\$ 55,674	\$ 93,474	\$ 159,822	\$ 217,475

Cash includes restricted cash for replacement reserve.

1. PURPOSE OF THE ORGANIZATION

The Slocan Valley Seniors' Housing Society was incorporated in 1997 under the Society Act of the Province of British Columbia to provide low cost housing units to senior citizens living in the Slocan Valley. The Society is registered with the Canada Revenue Agency as a charitable organization. As such, it is tax exempt and can issue tax-deductible charitable donation receipts.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following is a summary of the significant accounting policies of the Society.

Fund Accounting - Restricted Fund Method

The Society follows the restricted fund method of accounting and reports the following funds:

- 1) General Society - this fund accounts for the Society's general revenues and operating costs.
- 2) Passmore Lodge - this fund accounts for the Society's revenues and operating costs that pertain to the Passmore Lodge and is further segregated into the housing fund, capital fund and the replacement reserve fund in the supplementary schedules.
- 3) Slocan City Suites - this fund accounts for the Society's revenues and expenditures that pertain to the construction and operating costs of the Slocan City Suites housing project.

Revenue Recognition

Revenue from grants and other contributions are recognized as revenue of the appropriate fund in the year in which they are received. Interest from investments is recognized as revenue in the applicable fund in the period the investment income is earned. Donations in kind are recognized in the appropriate fund only when the fair market value of the services or materials donated is significant and can be reasonably estimated.

Capital Assets - Slocan City Suites

During the year, the Society substantially completed the construction of a twelve unit housing project called the Slocan City Suites. The project is recorded at cost including the nominal consideration paid to the Village of Slocan for a 99 year lease of the land. As the project was substantially completed near the end of the fiscal year, amortization will be provided for on the same basis as Passmore Lodge beginning in the subsequent year.

Capital Assets - Passmore Lodge

Capital assets are recorded at cost less accumulated amortization. The Society's capital assets include land, the 10 unit seniors' housing complex, fencing, furniture and equipment, and landscaping. The building is situated on land that was donated to the Society. The fair value of the donated value of the land at the time of the donation has been recorded in the financial statements.

Amortization is provided as follows:

Building and improvements	- 4% straight line
Computer hardware	- 45% diminishing balance
Fence	- 10% diminishing balance
Furniture and equipment	- 20% diminishing balance
Landscaping	- 8% straight line

One half of the above rates are provided for in the year of acquisition.

SLOCAN VALLEY SENIORS' HOUSING SOCIETY**NOTES TO FINANCIAL STATEMENTS (Continued)****As At March 31, 2019****2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of Long-Lived Assets**

The Society assesses long-lived assets for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized on a long-lived asset when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of the impairment loss is equal to the excess of the asset's carrying value over its fair value. No impairment loss was recognized by the Society in the current year.

Financial Instruments

The Society's financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is at amortized cost. The Society's financial instruments include cash, accounts receivable, accounts payable and long-term debt.

Measurement Uncertainty

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 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. Actual results could differ from those reported. Significant items requiring the use of estimates include the useful lives of capital assets and impairment of long-lived assets.

3. CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
PASSMORE LODGE				
Land	\$ 40,000	\$ -	\$ 40,000	\$ -
Building and improvements	1,236,810	479,004	1,236,810	447,429
Computer hardware	4,388	3,680	3,474	3,474
Fence	2,763	1,508	2,763	1,368
Furniture and equipment	40,036	36,083	40,036	35,095
Landscaping	35,140	22,220	35,140	21,097
	<u>1,359,137</u>	<u>542,495</u>	<u>1,358,223</u>	<u>508,463</u>
Net book value - Passmore Lodge		<u>816,642</u>		<u>849,760</u>
SLOCAN CITY SUITES				
Buildings	\$ 2,387,860	\$ -	\$ 623,860	\$ -
Appliances and equipment	64,867	-	-	-
	<u>2,452,727</u>	<u>-</u>	<u>623,860</u>	<u>-</u>
Net book value - Slocan City Suites		<u>2,452,727</u>		<u>623,860</u>
	<u>\$ 3,269,369</u>		<u>\$ 1,473,620</u>	

SLOCAN VALLEY SENIORS' HOUSING SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
As At March 31, 2019

4. BC HOUSING FORGIVABLE LOAN

In 2017, the Society received a forgivable loan of \$10,000 from BC Housing for the carport roof replacement at Passmore Lodge. The loan forgiveness period is ten years subject to compliance with the existing operating agreement of the Passmore Lodge. In the event that any terms and conditions are not met, repayment of the outstanding amount of the loan will be required within 30 days of notification. Annual forgiveness amounts of \$1,000 are included in revenue in the Passmore Lodge fund. The outstanding balance of the loan as at March 31, 2019 is \$7,000.

5. BC HOUSING FORGIVABLE MORTGAGE

The Society has entered into an agreement with BC Housing for financing of the Slocan City Suites housing project. A maximum total of \$1,529,270 in way of a forgivable loan has been made available secured by a second mortgage charging the leasehold interest in the land and premises. Payments on account of principal and interest will be forgiven, provided the property is continuously used for the intended purpose. The term is 35 years and will be forgiven beginning in the 11th year at the rate of 1/25 each year. As at March 31, 2019, the draws on this mortgage totaled \$1,476,593.

6. LONG-TERM DEBT

	2019	2018
Peoples Trust Company mortgage repayable in monthly installments of \$4,099 including interest of 3.29% per annum, maturing June 1, 2024, secured by land and building of Passmore Lodge.	\$ 590,166	\$ 619,550
Coast Capital Credit Union mortgage repayable in monthly installments of \$2,410 including interest of 2.855% per annum, maturing March 1, 2029, secured by the buildings and leasehold interest in the land of the Slocan City Suites.	<u>641,145</u>	<u>-</u>
	1,231,311	619,550
Less: Current portion	<u>41,200</u>	<u>29,400</u>
	<u>\$ 1,190,111</u>	<u>\$ 590,150</u>

Estimated principal payments required over the next five years are as follows:

2020	\$ 41,200
2021	\$ 42,500
2022	\$ 43,800
2023	\$ 45,600
2024	\$ 47,000

7. FINANCIAL RISKS

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks as at March 31, 2019.

Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk primarily in respect to its accounts payable and long-term debt. This risk is mitigated by the monthly rent subsidies the Society receives from BC Housing.

Interest Rate Risk

The Society is exposed to interest rate risk on its fixed rate long-term debt. Fixed-rate interest instruments subject the Society to a fair value risk.

8. ECONOMIC DEPENDENCE

The Society receives significant operating revenues from BC Housing and is economically dependent on this funding.

9. CONTINGENT LIABILITY

The cumulative non-rent geared to income (non-RGI) assistance is contingently repayable to BC Housing in the event that the total non-RGI tenant rent contribution in any year exceeds the economic rent of the suites occupied by non-RGI tenants. The Society is required to commence repayment of the cumulative non-RGI assistance on the first day of the subsequent fiscal year. The balance then bears interest at bank prime and the required monthly payments are set annually, based on the amount by which the non-RGI tenant rent contribution exceeds economic rent for these suites in the prior year. The most recent financial review completed by BC Housing for the year ended March 31, 2018 indicated a repayable assistance balance of \$461,273.

SLOCAN VALLEY SENIORS' HOUSING SOCIETY
SCHEDULE OF PASSMORE LODGE FINANCIAL POSITION
For the Year Ended March 31, 2019

	Housing Fund	Capital Fund	Replacement Reserve	2019 Total	2018 Total
CURRENT ASSETS					
Cash	\$ 19,888	\$ -	\$ -	\$ 19,888	\$ 23,075
Accounts receivable	8,700	-	-	8,700	3,784
Prepaid expenses	360	-	-	360	360
Interfund balances	(7,861)	-	7,029	(832)	6,724
	21,087	-	7,029	28,116	33,943
CASH - REPLACEMENT RESERVE	-	-	35,786	35,786	23,414
CAPITAL ASSETS	-	816,642	-	816,642	882,919
	21,087	816,642	42,815	880,544	940,276
CURRENT LIABILITIES					
Accounts payable	14,753	-	-	14,753	12,174
Government					
remittances payable	194	-	-	194	152
Subsidy received					
in advance	6,144	-	-	6,144	6,158
Current portion					
of long-term debt	-	30,400	-	30,400	28,400
	21,091	30,400	-	51,491	46,884
SECURITY DEPOSITS	2,881	-	-	2,881	2,446
BCH FORGIVABLE LOAN	7,000	-	-	7,000	9,000
LONG-TERM DEBT	-	559,766	-	559,766	619,590
	30,972	590,166	-	621,138	677,920
FUND BALANCE	\$(9,885)	\$ 226,476	\$ 42,815	\$ 259,406	\$ 262,356

SLOCAN VALLEY SENIORS' HOUSING SOCIETY
SCHEDULE OF PASSMORE LODGE OPERATIONS AND FUND BALANCES
For the Year Ended March 31, 2019

	Housing Fund	Capital Fund	Replacement Reserve	2019 Total	2018 Total
REVENUE					
BC Housing - rent subsidies \$	73,728	\$ -	\$ -	\$ 73,728	\$ 72,922
BC Housing - other	2,295	-	-	2,295	9,652
Rent contributions	70,284	-	-	70,284	67,203
Donations, interest and other	1,724	-	123	1,847	318
Interfund transfers	-	29,383	8,640	38,023	37,080
	148,031	29,383	8,763	186,177	187,175
EXPENDITURES					
Administrative salaries	5,246	-	-	5,246	4,564
Amortization	-	34,032	-	34,032	35,242
Audit	8,600	-	-	8,600	8,700
General administration	6,574	-	-	6,574	5,832
General utilities and water	17,949	-	-	17,949	22,932
Insurance and dues	10,412	-	-	10,412	9,601
Maintenance					
- grounds	7,811	-	-	7,811	-
- building	25,383	-	-	25,383	26,098
Mortgage payments	49,191	-	-	49,191	49,191
Property taxes	330	-	-	330	478
Replacement reserve expenditures	-	-	-	-	2,500
Replacement reserve provision	8,640	-	-	8,640	8,640
Service contracts and consultants	12,778	-	-	12,778	15,744
	152,914	34,032	-	186,946	189,522
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(4,883)	(4,649)	8,763	(769)	(2,347)
Fund balance, beginning	(4,087)	230,210	34,052	260,175	263,799
Capital expenditures	(915)	915	-	-	(2,083)
BC Housing adjustment	-	-	-	-	(1,277)
FUND BALANCE, ENDING	\$(9,885)	\$ 226,476	\$ 42,815	\$ 259,406	\$ 258,092