

**HOPE COMMUNITY SERVICES**  
**UNAUDITED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2019**

# CM KELLEY INC

CHARTERED PROFESSIONAL ACCOUNTANT  
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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of  
Hope Community Services

We have reviewed the accompanying financial statements of Hope Community Services that comprise the statement of financial position as at March 31, 2019, and the statements of operation and changes in net assets, and cash flows for the year then ended, and a summary of significant policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for non-profit entities, and for such 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.

### ***Practitioner's Responsibility***

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all respects, the financial position of Hope Community Services as at March 31, 2019, the results of its operations, change in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for non-profit entities.

*CM Kelley Inc*

CHARTERED PROFESSIONAL ACCOUNTANT

August 27, 2019  
Hope, BC  
Canada

**HOPE COMMUNITY SERVICES**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Current Assets		
Cash and short term investments	\$ 5,424	\$ 43,750
Restricted cash (Note 5)	27,821	13,908
Accounts receivable	3,470	1,438
Prepaid expenses	0	9,470
Total Current Assets	<u>\$ 36,715</u>	<u>\$ 68,566</u>
Property, Plant & Equipment (Note 2)	<u>117,289</u>	<u>40,705</u>
Total Assets	<u><u>\$ 154,004</u></u>	<u><u>\$ 109,271</u></u>
<b>LIABILITIES AND NET ASSETS (DEBT)</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 23,447	\$ 27,988
Due to government agencies	5,321	4,955
Deferred contributions (Note 1d)	0	44,935
Current portion of callable debt	10,504	10,616
Total Current Liabilities	<u>\$ 39,272</u>	<u>\$ 88,494</u>
Accrued sick and severance pay (Note 7)	13,687	13,571
Callable Debt (Note 8)	89,334	99,515
Total Liabilities	<u>\$ 142,293</u>	<u>\$ 201,580</u>
Total Members' Net Assets (Debt) (Statement B, Note 3)	<u>11,711</u>	<u>(92,309)</u>
Total Liabilities and Net Assets (Debt)	<u><u>\$ 154,004</u></u>	<u><u>\$ 109,271</u></u>

Approved on behalf of the Board of the Society:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**HOPE COMMUNITY SERVICES**  
**UNAUDITED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
<b><u>REVENUES</u></b>		
Contract funding	\$ 215,428	\$ 207,120
Donations, grants and fundraising	240,696	53,451
Service fees	11,957	13,347
Rental	6,853	7,680
Other	1,015	9,786
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Total Revenues	475,949	291,384
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<b><u>EXPENSES</u></b>		
Advertising	1,282	1,532
Amortization	10,433	5,998
Bad debts	0	710
Bank charges	630	687
Christmas hampers	10,830	19,921
Computer software and support	12,204	5,515
Contracted services	17,401	13,450
Food	12,636	15,785
Insurance, licenses and fees	11,946	14,555
Interest on callable debt	5,048	4,777
Office supplies, postage and sundry	3,345	4,318
Professional fees	3,205	4,700
Program costs	35,915	28,603
Property taxes	85	5,496
Rental	3,575	5,160
Repairs and maintenance	11,860	8,357
Training programs	72	1,042
Travel	4,528	2,657
Utilities	9,104	11,731
Wages and benefits	217,830	186,420
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Total Expenses	371,929	341,414
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Excess (Deficiency) of Revenues over Expenses	104,020	(50,030)
Members' Net Assets (Debt), beginning of year	(92,309)	(42,279)
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<b><u>MEMBERS' NET ASSETS, end of year</u></b>	(Statement A, Note 3) \$ 11,711	\$ (92,309)
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**HOPE COMMUNITY SERVICES**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets for the year	\$ 104,020	\$ (50,030)
Changes to operations not involving cash:		
Amortization	10,433	5,998
Net Change in non-cash working capital items	<u>(41,556)</u>	<u>23,182</u>
Cash (used in) provided by operating activities	\$ 72,897	\$ (20,850)
<b><u>FINANCING ACTIVITIES</u></b>		
Issuance of debt	\$ 0	\$ 0
Repayment of callable debt	<u>(10,292)</u>	<u>(10,563)</u>
Cash (used in) provided by investing activities	\$ (10,292)	\$ (10,563)
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of capital assets	\$ (87,018)	\$ 0
Proceeds from disposal of capital assets	<u>0</u>	<u>0</u>
Cash (used in) provided by investing activities	\$ (87,018)	\$ 0
<b><u>INCREASE (DECREASE) IN CASH DURING THE YEAR</u></b>	<b>\$ (24,413)</b>	<b>\$ (31,413)</b>
<b><u>CASH, beginning of year</u></b>	<b>57,658</b>	<b>89,071</b>
<b><u>CASH, end of year</u></b>	<b>\$ 33,245</b>	<b>\$ 57,658</b>
<b><u>CASH CONSISTS OF:</u></b>		
Cash	\$ 5,424	\$ 43,750
Restricted cash	<u>27,821</u>	<u>13,908</u>
	<b>\$ 33,245</b>	<b>\$ 57,658</b>

**HOPE COMMUNITY SERVICES**  
**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

Note 1: **ACCOUNTING POLICIES AND SIGNIFICANT INFORMATION**

The society was incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act. Hence it is exempt from income taxes. The society's principal purpose is to provide programs to meet Hope and surrounding areas social needs.

Some of the significant accounting policies affecting the society are as follows;

a) **Basis of presentation**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

b) **Measurement uncertainty**

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Such estimates are reviewed periodically and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

c) **Financial instruments policy**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

d) **Revenue Recognition**

Revenue is recognized using the deferral method. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection can be reasonably assured.

Contract funding is recognized as revenue when received in the period related to the contract. When amounts have been received and related to a future period the revenue is reflected as deferred contributions until such future period.

e) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost or deemed less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a straight-line basis at the following rate.

Buildings	25 years
Computer equipment	5 years
Equipment	10 years

Property, plant and equipment is regularly reviewed to eliminate obsolete items.

Government grants are treated as a reduction of property, plant and equipment costs.

Note 2: **EQUIPMENT AND FURNITURE**

	Cost	Accumulated Amortization	2019 Net Asset Value	2018 Net Asset Value
Land	\$ 24,724	n/a	24,724	24,724
Buildings	125,089	118,838	6,251	10,700
Computer equipment	9,740	9,740	0	0
Equipment	120,353	34,039	86,314	5,281
Total	\$ 279,906	162,617	117,289	40,705

Note 3: **MEMBERS' NET ASSETS (DEBT) & INTERFUND TRANSFERS**

	FISCAL 2019		
	Capital	General	Total
Balance, beginning of year	\$ (69,426)	(22,883)	\$ (92,309)
Net Asset Change for the year	(10,433)	114,453	104,020
Reserve Transfers			
Capital assets purchased	87,018	(87,018)	0
Principal payments on callable debt	10,292	(10,292)	0
Balance, end of year	\$ 17,451	\$ (5,740)	\$ 11,711
	FISCAL 2018		
	Capital	General	Total
Balance, beginning of year	(72,931)	30,652	\$ (42,279)
Net Asset Change for the year	(7,058)	(42,972)	(50,030)
Reserve Transfers			
Principal payments on callable debt	10,563	(10,563)	0
Balance, end of year	\$ (69,426)	\$ (22,883)	\$ (92,309)

Note 4: **FINANCIAL INSTRUMENTS**

The society is exposed to various risks through its financial instruments. The following analysis provides information about the society's risk exposure and concentration as of March 31, 2019.

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The society is exposed to credit risk from customers. In order to reduce its credit risk, the society reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The society has a significant number of customers which minimizes concentration of credit risks.

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Note 4: **FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the society manages exposure through its normal operating and financing activities. The society is exposed to interest rate risk primarily through its floating interest rate indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the society is not exposed to significant other price risks arising from these financial instruments.

Note 5: **RESTRICTED CASH**

Restricted cash consists of cash held in separate bank accounts for the Decoda Literacy Support program and Gaming grant revenues received. The funding received is deposited to the applicable account and can only be used for expenses relating to the operation of the specific programs.

Note 6: **BANK INDEBTEDNESS**

Under an operating loan arrangement with Envision Financial, the society may borrow up to \$30,000. This arrangement bears interest at bank prime plus 1% and is secured by an assignment of specific land and buildings located in Hope, BC. This arrangement does not have a termination date and can be withdrawn at the bank's option. No portion of the operating loan has been used in the current fiscal year.

Note 7: **ACCRUED SICK AND SEVERANCE**

The society's sick leave policy for employees hired prior to unionization entitles employees that have been with the society for at least five years to receive 50% of their unused sick time as severance upon leaving employment at the society. All employees hired subsequent to unionization will not be eligible for accrued sick and severance. All sick leave credits subject to the union contract are cancelled on the termination of an employee's employment.

The accrual is calculated using the discounted cash flows assuming that each eligible employee will provide the society with 30 years cumulative service, and that each employee will receive a yearly 25 wage increase, with the exception of the Executive Director, who will not receive a yearly wage increase.

Note 8: **CALLABLE DEBT**

	<u>2019</u>	<u>2018</u>
Mortgage - Envision Financial	\$ 99,838	\$ 110,130
Amounts scheduled for repayment within a year	(10,504)	(10,616)
	<u>\$ 89,334</u>	<u>\$ 99,514</u>

The callable debt provided by Envision Financial is secured by a collateral first mortgage over specific land and buildings owned by the society. Blended principal and interest payments of \$295 are made weekly. The annual interest on the mortgage is 4.55% and the mortgage matures in March of 2022.

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Note 8: **CALLABLE DEBT (continued)**

The expected callable debt repayments over the next five years is as follows:

2020	\$	10,504
2021		10,662
2022		10,821
2023		10,984
2024		11,149
Balance		45,717
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	\$	99,838
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Note 9: **ECONOMIC DEPENDENCE**

The society's primary source of funding is government funding from various agencies. This funding can be cancelled if the society does not adhere to certain established guidelines. The society's ability to continue viable operations is dependent on adherence to these guidelines. As at the date of these financial statements the society believes it is in compliance with the guidelines.

Note 10: **COMMITMENTS**

The society and its employees contribute to the Municipal Pension Plan (the plan), which is a jointly trustee pension plan. The society paid \$14,523 (2018 - \$12,653) for employer contributions to the plan in fiscal 2019.