

**NANAIMO YOUTH SERVICES
ASSOCIATION**

FINANCIAL STATEMENTS

(UNAUDITED)

March 31, 2021

Partners

Grant McDonald, CPA, CA*

Lee-Anne Harrison, CPA, CA*

Anna Jones, CPA, CA*

Joanne Novak, CPA, CA*

*incorporated



INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members:

Report on the Financial Statements

We have reviewed the accompanying financial statements of **Nanaimo Youth Services Association** that are comprised of the statement of financial position as at, **March 31, 2021**, and the statements of revenues and expenditures and net assets, changes in net assets, 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 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.

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.

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REVIEW ENGAGEMENT REPORT

(Continued)



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 material respects, the financial position of the **Nanaimo Youth Services Association** as at **March 31, 2021**, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act of British Columbia*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Church Pickard

CHURCH PICKARD

Chartered Professional Accountants

Nanaimo, B.C.

July 26, 2021

NANAIMO YOUTH SERVICES ASSOCIATION

STATEMENT OF FINANCIAL POSITION

As at **March 31, 2021**

(unaudited)

	2021	2020
Assets		
Current		
Cash	\$ 913,154	\$ 703,557
Accounts receivable - Notes 2, 3 and 10	204,450	152,132
Prepaid expenses	<u>11,672</u>	<u>15,024</u>
	1,129,276	870,713
Long-term		
Restricted cash - Note 11	100,189	90,305
Property and equipment - Note 5	<u>2,292,405</u>	<u>2,363,699</u>
	<u>\$ 3,521,870</u>	<u>\$ 3,324,717</u>
Liabilities		
Current		
Accounts payable and accrued liabilities - Note 2	\$ 110,779	\$ 67,775
Deferred revenue - Note 6	186,092	182,262
Current portion of long-term debt - Note 7	<u>96,400</u>	<u>94,200</u>
	393,271	344,237
Callable debt - Note 9	<u>109,987</u>	<u>111,069</u>
	503,258	455,306
Long-term debt - Note 7	1,943,905	2,000,294
Deferred capital contributions - Note 8	<u>66,033</u>	<u>74,097</u>
	<u>2,513,196</u>	<u>2,529,697</u>
Net Assets		
Unrestricted	792,405	620,676
Investment in property and equipment	116,080	84,039
Externally restricted - Note 11	<u>100,189</u>	<u>90,305</u>
	<u>1,008,674</u>	<u>795,020</u>
	<u>\$ 3,521,870</u>	<u>\$ 3,324,717</u>

Approved:

NANAIMO YOUTH SERVICES ASSOCIATION

STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS

For the year ended **March 31, 2021**

(unaudited)

	2021	2020
Revenue		
Provincial and federal funding	\$ 1,509,132	\$ 1,698,960
Tenant fees	145,125	126,001
Other income - Note 7	129,862	28,568
Donations	21,681	9,733
Deferred capital contributions - Note 8	<u>8,064</u>	<u>6,229</u>
	<u>1,813,864</u>	<u>1,869,491</u>
Expenses		
Wages and benefits - Note 3	763,042	927,923
Workshops and training	315,354	443,104
Maintenance	100,072	42,852
Office administration	88,210	80,637
Rent	79,147	81,141
Amortization	71,294	70,442
Utilities	53,027	50,623
Professional fees	51,579	68,472
Loan interest	42,369	45,150
Insurance	17,372	14,473
Travel	15,789	16,253
Advertising, promotion, and printing	<u>2,955</u>	<u>1,971</u>
	<u>1,600,210</u>	<u>1,843,041</u>
Excess of revenue over expenses before undernoted items	213,654	26,450
Net assets, beginning of the year	<u>795,020</u>	<u>768,570</u>
Net assets, end of the year	<u><u>\$ 1,008,674</u></u>	<u><u>\$ 795,020</u></u>

NANAIMO YOUTH SERVICES ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS

For the year ended **March 31, 2021**

(unaudited)

	Investment in Property and Equipment	Externally Restricted	Unrestricted	Total 2021	Total 2020
		(Note 11)			
Balance, beginning of the year	\$ 84,039	\$ 90,305	\$ 620,676	\$ 795,020	\$ 768,570
Revenue over expenses (expenses over revenue)	(63,230)	9,884	267,000	213,654	26,450
Repayment of debt	<u>95,271</u>	<u>-</u>	<u>(95,271)</u>	<u>-</u>	<u>-</u>
Balance, end of the year	<u>\$ 116,080</u>	<u>\$ 100,189</u>	<u>\$ 792,405</u>	<u>\$ 1,008,674</u>	<u>\$ 795,020</u>

NANAIMO YOUTH SERVICES ASSOCIATION

STATEMENT OF CASH FLOWS

For the year ended **March 31, 2021**

(unaudited)

	2021	2020
Cash provided (used):		
Operating activities		
Revenue over expenses	\$ 213,654	\$ 26,450
Items not involving cash		
Amortization	71,294	70,442
Amortization of deferred capital contributions	<u>(8,064)</u>	<u>(6,229)</u>
	276,884	90,663
Changes in non-cash operating accounts		
(Increase) decrease in accounts receivable	(52,318)	21,680
Decrease (increase) in prepaid expenses	3,352	(2,278)
Increase (decrease) in accounts payable and accrued liabilities	43,004	(18,868)
Increase in deferred revenue	<u>3,830</u>	<u>67,989</u>
	<u>274,752</u>	<u>159,186</u>
Investing activities		
Purchase of property and equipment	-	(16,135)
(Increase) decrease in externally restricted cash	<u>(9,884)</u>	<u>(18,555)</u>
	<u>(9,884)</u>	<u>(34,690)</u>
Financing activities		
Canadian Emergency Business Account (CEBA)	40,000	-
Repayment of debt	(94,189)	(91,701)
Deferred capital contributions	-	14,263
Decrease in callable debt	<u>(1,082)</u>	<u>(1,052)</u>
	<u>(55,271)</u>	<u>(78,490)</u>
Increase in cash	209,597	46,006
Cash, beginning of the year	<u>703,557</u>	<u>657,551</u>
Cash, end of the year	<u>\$ 913,154</u>	<u>\$ 703,557</u>

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

Purpose of the association

Nanaimo Youth Services Association is incorporated under the *Societies Act of British Columbia*. The association is a registered charity under the *Income Tax Act* and as such is a non-taxable entity.

It is the intent of Nanaimo Youth Services Association to assist youth (aged 16 to 30) and those with special needs in the Central Vancouver Island area to achieve well-being, and lead independent, productive lives by providing support services and programs, such as counselling, referrals, access to basic needs, life skills training, employment and job search training, community involvement projects, and housing. In housing projects where BC Housing has provided financial assistance, residents shall have low or low-to-moderate income.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

- Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

- Property and equipment

Property and equipment are recorded at cost and amortized.

Amortization is recorded on a declining-balance basis over the estimated useful life and/or lease term of the assets as follows, except for the security systems, leasehold improvements and Waddington which is recorded on a straight-line basis:

Building - Haliburton	4%
Furniture and equipment	20%
Computer hardware	30%
Leasehold improvements	3 - 5 years
Building - Waddington	60 years

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

1. **Significant accounting policies** - cont.

- Funding of deficit

BC Housing assesses financial information to determine adjustments for repayments of surplus and funding deficits. The repayment of surplus or funding of deficits is recognized on a cash basis.

- Donated assets

Donated property and equipment are recognized in the financial statements when the fair value can be reasonably determined and they are used in the normal course of the association's operations and would have otherwise been purchased.

- Bank overdraft

One of the association's bank accounts has a revolving credit line attached. The total limit of this revolving credit line is \$50,000, with an interest rate of 4.45%.

- Revenue recognition

Nanaimo Youth Services Association follows the deferral method of accounting for contributions. As such, revenue is recognized on a cost-recovery method on a contract-by-contract basis. The revenue in excess of expenses or expenses in excess of revenue on the contracts are realized when the contract requirements are fully met which can extend past the contract end date. This method allows the association to better match the revenues and expenses on a contract-by-contract basis.

- Use of estimates

The preparation of the financial statements of the association 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 expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the collectibility of accounts receivable, estimated useful life of property and equipment, the amount of deferred revenue, and the provision for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

- Financial instruments

Financial instruments are recorded at fair value on initial recognition and subsequently measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of income and retained earnings.

Financial assets measured at amortized cost include cash, prepaid expenses, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long-term debt.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the Statement of Revenues and Expenditures and Net Assets. Any previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

2. Government remittances

The association has the following amounts receivable (owing) for government remittances at March 31, 2021:

	2021	2020
Public Service Body Rebate	\$ 6,647	\$ 5,537
WorkSafe BC	\$ (2,602)	\$ (1,788)
Payroll source deductions	\$ (20,852)	\$ (17,584)

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

3. Government assistance

During the year the society claimed \$133,660 in government assistance from the Canadian Emergency Wage Subsidy (CEWS) and \$17,553 from the Temporary Wage Subsidy (TWS); \$62,987 is receivable at year-end. The assistance from the government was for payment of wages during the COVID-19 pandemic, and is presented on the Statement of Revenues and Expenditures and Net Assets in Wages and benefits. No repayment of assistance is anticipated.

4. Effects of COVID-19

Before the start of the fiscal year on March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, based on the rapid increase in global cases. British Columbia's Public Health Officer also issued several public health orders, prior to the end of the fiscal year, to help curb the impact of the pandemic on the province.

The society postponed some of their in-person programs at the beginning of the fiscal year due to restrictions on gatherings of large groups. Most programs continued to operate, modified to meet COVID-19 safety regulations.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the situation and its effects on the society's finances, operations, and workforce. While BC is not currently on lockdown, there are still many restrictions in place. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the society is not able to estimate the effects of the COVID-19 outbreak on its operations or finances at this time.

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

5. Property and equipment

	Cost	Accumulated Amortization	Net 2021	Net 2020
Land	\$ 129,857	\$ -	\$ 129,857	\$ 129,857
Building - Haliburton	733,358	191,377	541,981	564,564
Furniture and equipment	34,206	28,843	5,363	6,703
Computer hardware	162,201	159,574	2,627	3,754
Leasehold improvements	22,740	11,206	11,534	18,244
Building - Waddington	<u>2,372,052</u>	<u>771,009</u>	<u>1,601,043</u>	<u>1,640,577</u>
	<u>\$ 3,454,414</u>	<u>\$ 1,162,009</u>	<u>\$ 2,292,405</u>	<u>\$ 2,363,699</u>

6. Deferred revenue

Deferred revenue consists of funding received that is related to a subsequent period as well as damage deposits paid by tenants, and donations designated for specific programs. Deferred revenue is comprised of:

	2021	2020
Prepaid funding	\$ 107,738	\$ 107,305
Gaming	62,869	62,617
Designated donations	4,025	4,025
Damage deposits	11,448	8,243
Prepaid rent	<u>12</u>	<u>72</u>
	<u>\$ 186,092</u>	<u>\$ 182,262</u>

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

7. Long-term debt

	2021	2020
CEBA - Interest-free loan repayable by December 31, 2022 with potential forgiveness up to 33%; \$20,000 has been recognized as income in the current year as required by the Canada Revenue Agency (CRA)	\$ 40,000	\$ -
Computershare Trust Company of Canada c/o MCAP Financial Corporation - mortgage -payable at \$2,128 per month including interest at 3.18%; secured by land and building with a carrying value of \$609,972 including assignment of rents; due June 1, 2024	260,219	277,186
BC Housing - forgivable mortgage - if the borrower uses the facility for eligible occupants as per the operating agreement, the loan is to be forgiven over 10 years commencing in the 11th year (2024) of the term (20-year term); if the property is not used for the intended purpose, interest will be charged at 2% in excess of the prime rate per annum on the principal amount outstanding as at the date of default	300,000	300,000
Computershare Trust Company of Canada c/o MCAP Financial Corporation- mortgage - payable at \$9,135 per month including interest at 2.196%; secured by land and building with a carrying value of \$1,660,617 including assignment of rents; due June 1, 2024	<u>1,440,086</u>	<u>1,517,308</u>
	2,040,305	2,094,494
Less: Current portion	<u>96,400</u>	<u>94,200</u>
	<u>\$ 1,943,905</u>	<u>\$ 2,000,294</u>

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

7. Long-term debt - cont.

Principal payments due in each of the next five years, assuming debt is renewed with existing terms:

2022	\$ 96,400
2023	138,700
2024	101,100
2025	103,500
2026	<u>105,100</u>
	<u>\$ 544,800</u>

8. Deferred capital contributions

Deferred capital contributions represent cash contributions received for the purchase of 545 Haliburton Street and other donated property and equipment. The change in deferred contributions for the year are as follows:

	2021	2020
Balance, beginning of the year	\$ 74,097	\$ 66,063
Add: Capital contributions received	-	14,263
Less: Revenue recognized for the year	<u>8,064</u>	<u>6,229</u>
	<u>\$ 66,033</u>	<u>\$ 74,097</u>

9. Callable debt

	2021	2020
BC Housing - demand loan - payable at \$222 per month including interest at 2.81%	\$ 56,249	\$ 57,331
Note payable - due to the Province of British Columbia, without interest	<u>53,738</u>	<u>53,738</u>
	<u>\$ 109,987</u>	<u>\$ 111,069</u>

The demand loans are secured by general security agreements.

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

10. Accounts receivable

	2021	2020
Accounts receivable	\$ 208,093	\$ 152,743
Allowance for doubtful accounts	<u>(3,643)</u>	<u>(611)</u>
	<u>\$ 204,450</u>	<u>\$ 152,132</u>

11. Restricted cash

	2021	2020
Externally restricted		
BC Housing held in trust	\$ 6,714	\$ 6,670
Replacement reserve	83,565	73,725
Restricted by the Province of British Columbia	<u>9,910</u>	<u>9,910</u>
Total restricted cash	<u>\$ 100,189</u>	<u>\$ 90,305</u>

Pursuant to its agreement with BC Housing, the association is required to maintain separate deposits equal to the replacement reserves to cover approved replacements and major repairs. This amount is presented as a replacement reserve held in a separate savings account.

In agreement with the Province of British Columbia, cash has been restricted for improvements to the Haliburton Street property.

12. Lease commitments

The association has entered into a lease of its office space lease. The total lease commitments over the next three years for basic minimum rent, are as follows:

2022	\$ 48,640
2023	50,688
2024	<u>12,800</u>
	<u>\$ 112,128</u>

NANAIMO YOUTH SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2021**

(unaudited)

13. Financial risks and concentration of risk

- 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. Nanaimo Youth Services Association is exposed to interest rate risk on its mortgages subject to the prime rate.

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The society is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The society does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.