

Financial Statements of

**OPTIONS COMMUNITY
SERVICES SOCIETY**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Options Community Services Society

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Options Community Services Society (the "Society"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, 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.

Basis for Opinion

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 auditor's 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.



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

Management is responsible for the preparation and fair presentation of the 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 liquidate the Society or 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.

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 the 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 audit 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.
- 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.
- 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.

Reporting on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Langley, Canada

June 26, 2023

OPTIONS COMMUNITY SERVICES SOCIETY

Statement of Financial Position

March 31, 2023, with comparative information for 2022

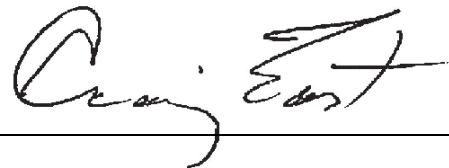
	Operating Fund	Capital Asset Fund	2023 Total	2022 Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,303,628	\$ 551,265	\$ 5,854,893	\$ 7,071,856
Investments at fair value (note 2)	3,076,095	-	3,076,095	1,326,064
Restricted cash and investments at fair value (note 3)	235,170	110	235,280	157,143
Accounts receivable (note 4)	4,261,121	-	4,261,121	3,430,137
Due from Habitat Housing Society (note 5)	109,422	-	109,422	162,180
Prepaid expenses, deposits and supplies	612,867	-	612,867	517,004
	13,598,303	551,375	14,149,678	12,664,384
Restricted cash and investments at fair value (note 3)	4,848,005	4,444,781	9,292,786	10,397,240
Capital assets (note 6)	-	9,734,832	9,734,832	6,791,496
	\$ 18,446,308	\$ 14,730,988	\$ 33,177,296	\$ 29,853,120
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 5,546,971	\$ -	\$ 5,546,971	\$ 6,167,268
Compensation, vacation and overtime payable (note 7)	3,158,073	-	3,158,073	2,555,428
Deferred contributions (note 8)	3,990,634	-	3,990,634	2,574,170
Current portion of mortgages payable (note 9)	-	38,889	38,889	37,643
	12,695,678	38,889	12,734,567	11,334,509
Mortgages payable (note 9)	-	663,058	663,058	701,948
Deferred contributions - replacement reserves (note 10)	92,663	-	92,663	77,284
Deferred capital contributions (note 11)	-	1,483,126	1,483,126	1,580,061
	12,788,341	2,185,073	14,973,414	13,693,802
Net assets:				
Invested in capital assets (note 12)	-	7,625,304	7,625,304	4,547,389
Internally restricted (note 13)	4,755,342	4,200,727	8,956,069	10,075,902
Unrestricted	902,625	719,884	1,622,509	1,536,027
	5,657,967	12,545,915	18,203,882	16,159,318
Commitments and contingencies (note 15)				
Economic dependence (note 20)				
	\$ 18,446,308	\$ 14,730,988	\$ 33,177,296	\$ 29,853,120

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

OPTIONS COMMUNITY SERVICES SOCIETY

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	Operating Fund	Capital Asset Fund	2023 Total	2022 Total
Revenue:				
Ministry of Children and Family Development	\$ 6,773,095	\$ -	\$ 6,773,095	\$ 8,567,252
BC Housing Management Commission	9,369,862	-	9,369,862	8,461,254
Fraser Health Authority	6,961,293	-	6,961,293	7,071,154
Ministry of Social Development and Poverty Reduction	17,838,755	-	17,838,755	17,230,854
Ministry of Education and Child Care	1,594,466	-	1,594,466	-
Provincial Health Services Authority	832,039	-	832,039	-
Ministry of Post-Secondary Education and Future Skills	3,505	-	3,505	472,248
Ministry of Municipal Affairs	571,474	-	571,474	410,334
Ministry of Public Safety and Solicitor General	419,290	-	419,290	483,123
Ministry of Finance	-	-	-	13,229
Community Living BC	393,725	-	393,725	207,841
Federal government	4,160,045	-	4,160,045	3,299,938
Local government (note 16)	644,647	-	644,647	631,552
United Way British Columbia	106,607	-	106,607	51,478
Client rent contributions/rental	1,424,291	-	1,424,291	1,414,833
Other funding agencies	2,181,048	-	2,181,048	2,120,635
Sales and fees	446,191	-	446,191	318,239
Interest and investment income	166,200	280,976	447,176	134,202
Donations	371,120	-	371,120	271,646
Miscellaneous	137,427	68,227	205,654	404,735
Amortization of deferred capital contributions (note 11)	-	96,935	96,935	101,935
Cost recovery from related party (note 5)	1,648,800	-	1,648,800	1,585,415
	56,043,880	446,138	56,490,018	53,251,897
Expenses:				
Wages and benefits	32,309,261	-	32,309,261	29,596,610
Fees paid to clients	6,789,183	-	6,789,183	6,307,310
Contracted services - direct service related	3,490,406	-	3,490,406	3,942,112
Program expenses and miscellaneous	2,682,521	666	2,683,187	2,377,647
Building occupancy	2,344,660	-	2,344,660	2,179,580
Client housing	1,881,320	-	1,881,320	2,084,468
Food service and supplies	1,197,819	-	1,197,819	969,307
Office	1,168,479	-	1,168,479	1,177,800
Repairs and maintenance	511,657	813	512,470	740,232
Amortization	-	495,987	495,987	622,451
Advertising and staff development	400,828	-	400,828	235,900
Utilities	342,006	-	342,006	313,272
Mileage and automobile	331,929	-	331,929	250,200
Professional fees	283,908	-	283,908	74,548
Donations in-kind	179,389	-	179,389	206,662
Interest (note 9)	34,622	-	34,622	35,950
	53,947,988	497,466	54,445,454	51,114,049
Excess (deficiency) of revenue over expenses	\$ 2,095,892	\$ (51,328)	\$ 2,044,564	\$ 2,137,848

See accompanying notes to financial statements.

OPTIONS COMMUNITY SERVICES SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Operating Fund	Capital Asset Fund	2023 Total	2022 Total
Balance, beginning of year	\$ 5,836,752	\$ 10,322,566	\$ 16,159,318	\$ 16,485,915
Excess (deficiency) of revenue over expenses	2,095,892	(51,328)	2,044,564	2,137,848
Interfund transfers	(2,274,677)	2,274,677	-	-
Transfer of property to Habitat Housing Society (note 5(b))	-	-	-	(2,464,445)
Balance, end of year	\$ 5,657,967	\$ 12,545,915	\$ 18,203,882	\$ 16,159,318

See accompanying notes to financial statements.

OPTIONS COMMUNITY SERVICES SOCIETY

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,044,564	\$ 2,137,848
Items not involving cash:		
Amortization of capital assets	495,987	622,451
Amortization of deferred capital contributions	(96,935)	(101,935)
Unrealized gain on investments at fair value	(44,043)	(44,055)
Changes in non-cash operating working capital:		
Accounts receivable	(830,984)	(581,065)
Due from Habitat Housing Society	52,758	(16,094)
Prepaid expenses, deposits and supplies	(95,863)	155,227
Accounts payable and accrued liabilities	(620,297)	2,176,441
Compensation, vacation and overtime payable	602,645	(2,966)
Deferred contributions	1,416,464	(525,967)
Deferred contributions - replacement reserve	15,379	(35,007)
	2,939,675	3,784,878
Investing activities:		
Purchase of capital assets, net	(3,439,323)	(158,630)
Acquisition of investments, net	(1,700,000)	(500,000)
	(5,139,323)	(658,630)
Financing activities:		
Repayment of mortgages payable	(37,644)	(39,306)
Increase (decrease) in cash and cash equivalents	(2,237,292)	3,086,942
Cash and cash equivalents, beginning of year	16,259,709	13,172,767
Cash and cash equivalents, end of year	\$ 14,022,417	\$ 16,259,709
Represented by:		
Cash and cash equivalents	\$ 5,854,893	\$ 7,071,856
Restricted cash and cash equivalents (note 3)	8,167,524	9,187,853
	\$ 14,022,417	\$ 16,259,709
Non-cash transactions:		
Transfer of property to Habitat Housing Society (note 5(b)):		
Decrease to capital assets	\$ -	\$ 4,694,312
Decrease to deferred capital contributions	-	2,186,119
Charge to due from Habitat Housing Society	-	43,748
Decrease to net assets	-	(2,464,445)

See accompanying notes to financial statements.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements

Year ended March 31, 2023

Nature of operations:

Options Community Services Society (the "Society") is a non-profit organization incorporated under the Societies Act (British Columbia). The Society is a registered charity pursuant to Section 149(1)(f) of the Income Tax Act and as such is exempt from federal and provincial income taxes. The principal activity of the Society is to provide community-related social services and resources in Surrey and surrounding areas, south of the Fraser River, by encouraging the involvement of citizens in meeting the needs of the community, empowering individuals, supporting families and promoting community health.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The resources and operations of the Society have been segregated for accounting purposes into the following funds:

- The Operating Fund accounts for the Society's administrative activities and revenues and expenses related to funded program delivery. This fund also reports unrestricted revenues, contributions and resources.
- The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Society's capital assets.

The Society has a service arrangement with Habitat Housing Society ("Habitat") whereby the Society provides the strategic and operational management of Habitat. The reason for the arrangement is to better carry out the primary purpose of the two organizations in delivering their programs and services to the community. Habitat remains a separate legal entity. Management has chosen to disclose rather than to consolidate the financial statements. Accordingly, the Society's financial statements exclude the financial position and operating results of Habitat. See note 14 for a summary of the financial position, operating results and the cash flows of Habitat.

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Government grants and other restricted program funding are recorded as revenue when the related expenses are incurred. Where a portion of such grants relates to a future period, it is deferred and recognized in the period in which the related expenses are incurred. Contributions restricted for the purchase or construction of capital assets are deferred and recognized as revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions and donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All other revenue is recognized when the services are provided or when the goods are delivered.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Society. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Buildings	20 - 35 years
Furniture and equipment	3 years
Vehicles	10 years

Leasehold improvements are amortized on a straight-line basis over the shorter of their useful lives or the term of the lease.

(c) Donated services and materials:

The Society and its members benefit from donated services in the form of volunteer time for various programs. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

Donated goods and other donated services are recorded in these financial statements only when used in the normal course of the Society's operations and would otherwise have been purchased and a fair value can be reasonably estimated (note 16).

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and term deposits with initial maturities of 90-days or less at origination. The Society's policy is to treat cash and cash equivalents held with its investment portfolio as investments at fair value on the statement of financial position.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected to carry its investments at fair value.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from the estimates.

2. Investments at fair value:

Unrestricted and restricted investments at fair value consist primarily of high yield interest savings accounts, equity funds and fixed income instruments, including but not limited to bonds, and mutual funds.

Unrestricted and restricted investments at fair value are comprised of the following:

	2023	2022
Unrestricted investments	\$ 3,076,095	\$ 1,326,064
Restricted investments (note 3)	1,360,542	1,366,530
	<u>\$ 4,436,637</u>	<u>\$ 2,692,594</u>
Cash and cash equivalents	\$ 889,526	\$ 299,287
Fixed income	3,252,728	2,102,284
Equity	294,383	291,023
	<u>\$ 4,436,637</u>	<u>\$ 2,692,594</u>

The weighted average yield to maturity of securities, based on market value, excluding preferred shares, as of March 31, 2023 was 3.41% (2022 - 2.06%). The weighted average current yield of preferred shares, as of March 31, 2023, was 6.54% (2022 - 5.33%). The weighted average term to maturity of fixed income instruments, excluding preferred shares, is 2.24 years (2022 - 2.11 years).

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Restricted cash and cash equivalents and investments at fair value:

These restricted funds are to be used for specific purposes as noted below and are not available for use in the Society's normal operations.

	2023	2022
Cash and cash equivalents	\$ 8,167,524	\$ 9,187,853
Investments at fair value (note 2)	1,360,542	1,366,530
	<u>\$ 9,528,066</u>	<u>\$ 10,554,383</u>

Investments at fair value are comprised of the following:

	2023	2022
Cash and cash equivalents	\$ 228,952	\$ 769
Fixed income	837,207	1,074,738
Equity	294,383	291,023
	<u>\$ 1,360,542</u>	<u>\$ 1,366,530</u>

Cash and cash equivalents and investments at fair value designated for specific purposes are segregated as follows:

	2023	2022
Internally restricted funds (note 13)	\$ 8,956,069	\$ 10,075,902
Prospera - Erosion and Sediment Control - letter of credit, relating to the construction of the 81st Avenue Project	168,510	168,510
Gaming Policy and Enforcement Branch (note 8)	217,786	143,177
Deferred contributions - replacement reserves (note 10)	92,663	77,284
Capital funding, Hyland House Facilities (a)	75,545	75,545
Security deposits and accrued interest owing to tenants	17,493	13,965
	<u>9,528,066</u>	<u>10,554,383</u>
Less current portion	235,280	157,143
	<u>\$ 9,292,786</u>	<u>\$ 10,397,240</u>

(a) Funds relating to the construction of the housing project. Any funds not used for the completion costs must, upon renewal of the Society's mortgage, be used to reduce the principal amount outstanding.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Accounts receivable:

	2023	2022
Trade receivable	\$ 4,195,771	\$ 3,377,897
Goods and services taxes receivable	65,350	52,240
	<u>\$ 4,261,121</u>	<u>\$ 3,430,137</u>

5. Due from Habitat Housing Society and related party transactions:

The amount due from Habitat, a Society with a common Board of Directors, is unsecured, non-interest bearing and due on demand.

(a) Transactions in the normal course of operations:

During the year, the Society charged Habitat for strategic and operational management services, tenant and client services, administration and building maintenance of \$1,648,800 (2022 - \$1,585,415). These transactions are in the normal course of operations and are recorded at the exchange amount, as agreed to by the related parties.

(b) Transactions not in the normal course of operations:

On April 1, 2021, the Society transferred the title and interest in the property located at 13583 81st Avenue, Surrey, B.C., to Habitat. At the time of the transfer, the Society was the registered owner of the land, with a carrying amount of \$2,464,445 and the Society had applied for a development permit to the City of Surrey, for a proposed development of a mixed-use building, consisting of office space, to provide community services, and residential space, to provide affordable housing. At the time of the transfer, development costs of \$2,212,696 had been incurred on the project and deferred capital contributions of \$2,186,119 had been received.

As part of the agreement, Habitat assumed all liabilities related to the project, including the mortgages registered against the lands. On completion of the development, the Society and Habitat have agreed that the office space within the building will be leased to the Society.

As this transaction was not in the normal course of operation it was recorded at the carrying amount with the difference recorded as a change to net assets of \$2,464,445.

See note 14 for the summary of the financial position and operating results and cash flows for Habitat.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,313,940	\$ -	\$ 4,313,940	\$ 2,954,826
Buildings	10,245,049	5,589,894	4,655,155	3,365,672
Furniture and equipment	3,705,421	3,302,939	402,482	287,026
Vehicles	570,037	347,923	222,114	148,858
Leasehold improvements	889,365	748,224	141,141	35,114
	\$ 19,723,812	\$ 9,988,980	\$ 9,734,832	\$ 6,791,496

7. Compensation, vacation and overtime payable:

Included in compensation, vacation and overtime payable as at March 31, 2023 are government remittances payable of \$244,925 (2022- \$467,889) relating to payroll taxes, health taxes and worker's safety insurance.

8. Deferred contributions:

The Society receives funding for various programs. Some of this funding is received in advance of the delivery of services under these various programs. The funders to which these funds apply are as follows:

	2023	2022
Fraser Health Authority	\$ 1,437,909	\$ 260,985
BC Housing Management Commission	943,691	912,521
Other	817,994	581,780
Ministry of Children and Family Development	416,125	320,903
Gaming Policy and Enforcement Branch	217,786	143,177
Ministry of Post-Secondary Education and Future Skills	77,600	-
Ministry of Municipal Affairs	45,424	-
United Way British Columbia	15,042	26,493
Ministry of Public Safety and Solicitor General	10,733	13,301
Ministry of Finance	8,330	8,330
Provincial Health Service Authority	-	188,225
Public Health Agency of Canada	-	57,535
City of Delta	-	22,549
Ministry of Social Development and Poverty Reduction	-	38,371
	\$ 3,990,634	\$ 2,574,170

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Deferred contributions (continued):

Changes in the deferred contributions balance are as follows:

	2023	2022
Balance, beginning of year	\$ 2,574,170	\$ 3,100,137
Amounts received	29,266,591	20,138,659
Amounts recognized as revenue	(27,850,127)	(20,664,626)
Balance, end of year	\$ 3,990,634	\$ 2,574,170

9. Mortgages payable:

	2023	2022
Hyland House:		
MCAP Financial Corporation, repayable at \$4,875 per month, including interest at 3.43% per annum; secured by an assignment of rents and a first charge on real property, with net book value of \$2,405,902; due for renewal on April 1, 2024	\$ 695,161	\$ 729,358
Strata Unit:		
BC Housing, repayable at \$300 per month, including interest at 1.83% per annum; secured by an assignment of rents and a first charge on real property, with net book value of \$30,091; due on February 1, 2025	6,786	10,233
	701,947	739,591
Less current portion	38,889	37,643
	\$ 663,058	\$ 701,948

Interest of \$24,357 (2022 - \$25,586) relating to mortgages payable has been reported in Interest expense in the Statement of Operations.

Approximate principal repayments, assuming renewals on similar terms and conditions, are due as follows:

2024	\$ 38,889
2025	39,704
2026	37,711
2027	39,025
2028	40,385
Thereafter	506,233
	\$ 701,947

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

10. Deferred contributions - replacement reserves:

Under the terms of the agreement with BC Housing Management Commission, a replacement reserve account is to be funded annually by the Society at a predetermined amount. These funds, along with accumulated interest, must be held in a separate bank account or invested in accounts or instruments as approved by BC Housing Management Commission. These funds may only be used for capital and replacements, in accordance with the operating agreements.

	Congregate House	Evergreen Transition House	Sandell House	Strata Unit	Hyland House Facilities	2023 Total	2022 Total
Balance, beginning of year	\$ 24,520	\$ 2,715	\$ 11,370	\$ 4,927	\$ 33,752	\$ 77,284	\$ 112,292
Add:							
Current year provision	-	900	16,727	720	-	18,347	7,380
Interest income	6	-	3	2	9	20	235
Less:							
Amount expended	-	-	(901)	-	(2,087)	(2,988)	(42,623)
Balance, end of year	\$ 24,526	\$ 3,615	\$ 27,199	\$ 5,649	\$ 31,674	\$ 92,663	\$ 77,284

11. Deferred capital contributions:

Deferred capital contributions represent restricted contributions toward four of the Society's buildings. The changes in the deferred capital contributions balance for the year are as follows:

	2023	2022
Balance, beginning of year	\$ 1,580,061	\$ 3,868,115
Transfer of property to Habitat Housing Society (note 5(b))	-	(2,186,119)
Amortization of deferred capital contributions	(96,935)	(101,935)
Balance, end of year	\$ 1,483,126	\$ 1,580,061

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Net assets invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2023	2022
Capital assets	\$ 9,734,832	\$ 6,791,496
Amounts financed by:		
Deferred capital contributions (note 11)	1,483,126	1,580,061
Mortgages payable (note 9)	701,947	739,591
Unspent deferred contributions relating to Hyland House Facilities (note 3)	(75,545)	(75,545)
	2,109,528	2,244,107
	\$ 7,625,304	\$ 4,547,389

(b) Deficiency of revenue over expenses:

	2023	2022
Amortization of deferred capital contributions	\$ 96,935	\$ 101,935
Amortization of capital assets	(495,987)	(622,451)
	\$ (399,052)	\$ (520,516)

(c) Change in net assets invested in capital assets:

	2023	2022
Purchase of capital assets	\$ 3,439,323	\$ 158,630
Transfer of property to Habitat Housing Society (note 5(b))	-	(2,464,445)
Repayment of mortgages payable	37,644	39,306
Amounts funded by deferred capital contributions	-	(43,748)
Deficiency of revenue over expenses	(399,052)	(520,516)
	\$ 3,077,915	\$ (2,830,773)

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Internally restricted:

The Society has the following internally restricted funds for the purposes described below:

	Internally restricted net assets		
	Balance, beginning of year	Interfund transfers	Balance, end of year
Operating fund:			
Contingency fund	\$ 2,808,559	\$ -	\$ 2,808,559
Employment services contingency fund	1,829,900	-	1,829,900
Connolly fund	74,328	-	74,328
Dave Blair fund	42,555	-	42,555
	4,755,342	-	4,755,342
Capital asset fund:			
Capital projects reserve	3,918,419	(1,282,497)	2,635,922
Building maintenance and repairs reserve	790,170	148,934	939,104
Vehicle replacement reserve	439,504	(5,990)	433,514
Equipment replacement reserve	172,467	19,720	192,187
	5,320,560	(1,119,833)	4,200,727
	\$ 10,075,902	\$ (1,119,833)	\$ 8,956,069

The Contingency fund was created to fund unexpected or contingent liabilities and to provide a hedge against future rent increases.

The Employment services contingency fund was created to fund unexpected or contingent liabilities, to provide a hedge against future unfunded program cost increases related to the delivery of services under the employment services contract, and to fund capital expenditures needed for the employment services program.

The Connolly fund was created using an unrestricted donation, which was matched by the Society. The monies in the fund, as well as any additional contributions, will be used to assist mental health clients.

The Dave Blair fund was created using donations and other funds, approved by the Board of Directors. The monies in the fund, as well as additional contributions, will be used to provide grants for one-time expenditures. Projects that will be considered include those that demonstrate youth making a difference in their community, in the areas of prevention and education, in activities such as stigma reduction, anti-bullying and anti-racism. The Dave Blair Fund will also be used to fund activities that support youth in achieving their goals, including educational and skill training goals.

The Capital projects reserve was created to provide funds for land acquisition, the construction of office premises or the renovation of leased office space and other capital expenditures.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Internally restricted (continued):

The Building maintenance and repairs reserve has been established to pay for future maintenance and repairs of certain buildings owned by the Society.

The Equipment and Vehicle replacement reserve funds were created to pay for the cost of replacing certain equipment and vehicles, respectively, needed for the operations of the Society.

The above internally restricted funds are to be accounted for separately and invested only in accordance with investment policies approved by the Board of Directors. These funds are increased by a transfer of assets and may only be used as approved by the Board of Directors.

14. Habitat Housing Society:

The principal purpose of Habitat is the provision of social housing services and resources that meet the needs of the community, empower individuals, support families and promote community health. Habitat is incorporated under the Societies Act (British Columbia), and is tax exempt as a registered charitable organization.

The following is a summary of the financial position, results of operations and cash flows of Habitat as at March 31, which are not included in these financial statements, as explained in note 1.

	2023	2022
Assets:		
Current assets, including cash and restricted cash and investments of \$1,018,117 (2022 - \$1,352,277)	\$ 3,126,242	\$ 2,942,050
Non-current restricted cash and investments	1,050,760	1,405,119
Capital assets	75,537,635	56,552,589
Total assets	\$ 79,714,637	\$ 60,899,758
Liabilities and net assets:		
Current liabilities, excluding current portion of mortgages payable \$986,663 (2022- \$961,870)	\$ 6,047,978	\$ 4,661,052
Mortgages and loan payable	61,152,749	44,352,090
Deferred contributions - replacement reserves	609,526	711,509
Deferred capital contributions	10,691,206	10,017,383
	78,501,459	59,742,034
Net assets	1,213,178	1,157,724
Total liabilities and net assets	\$ 79,714,637	\$ 60,899,758

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

14. Habitat Housing Society (continued):

	2023	2022
Revenue	\$ 6,277,388	\$ 5,855,909
Expenses	6,403,313	6,086,597
Deficiency of revenue over expenses	\$ (125,925)	\$ (230,688)
Cash flow from operations	\$ 1,676,498	\$ 3,216,529
Cash flow from investing	(20,079,730)	(13,326,201)
Cash flow from financing	17,714,713	11,498,608

15. Commitments and contingencies:

- (a) The Society has commitments under operating leases for office premises, program facilities and equipment, with varying remaining terms. Estimated annual payments until maturity are as follows:

2024	\$ 2,111,772
2025	47,050
2026	45,197
2027	42,370
	\$ 2,246,389

- (b) The Society provides benefits to non-union employees who accrue sick leave of 1.66 days per month, to a maximum of 20-days paid per calendar year, to be used in the event of illness or injury. Union employees accrue sick days of one day per month up to a maximum of 156-days, which, when taken, are paid at 80% of the employee's wage rate. Effective January 1, 2023, union staff are paid at 100% of the employee's wage rate for the first 5 days taken in a calendar year, then at 80% after that. The liability for these accumulated sick days has not been accrued in the financial statements because it is contingent upon the employees' illness or injury and is not vested with the employee.
- (c) The Society has two credit facilities available with Royal Bank of Canada ("RBC"):
- (1) a revolving demand operating line of credit for \$2,550,000, bearing interest at RBC's prime rate, plus 0.15%.
 - (2) a revolving term facility, in the amount of \$3,397,500, consisting of a series of variable rate term loans repayable by consecutive monthly payments, based on a maximum 300-month amortization period, bearing interest at RBC's prime rate, plus a premium, to be determined at the time of borrowing, based on the term selected by the borrower.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

15. Commitments and contingencies (continued):

(c) (continued):

These two RBC credit facilities are secured against the lands located at 9803 140th Street, Surrey, British Columbia and 13520 78 Avenue, Surrey, British Columbia, for facility (1) and (2), respectively. No amount has been drawn against either of the two credit facilities, as at year end (2022 - nil).

(a) The Society has available a revolving demand operating line of credit for \$1,000,000 bearing interest at Prospera Credit Union's prime rate plus 0.75%. The line of credit is secured by the land located at 15877 Pacific Avenue, White Rock, British Columbia. No amount has been drawn against the line of credit as at year-end (2022 - nil).

(b) The Society cannot sell, remortgage, lease or transfer its property located at 13582 - 68 Avenue, Surrey, British Columbia (the "Property") and cannot change the "human resource purpose" of the Property, in accordance with the Human Resource Facility Act, without the prior written consent of the Ministry of Children and Family Development (the "Ministry"). If the Property is transferred, remortgaged or put to an unapproved use, the Ministry may require the Society to repay an initial grant of \$50,000, provided for a down payment. If the Property is sold, transferred or leased, the ministry may require payment of a proportionate share of the proceeds, being 54%, based on the initial grant. The cost and fully amortized value of the Property, consisting of land and building, as of March 31, 2023 is approximately \$116,000 (2022 - \$116,000) and \$58,000 (2022 - \$58,000) respectively.

The Society can continue to use the Property for its current purpose indefinitely, without making any repayment. The Society has no plans to change the use of the Property; accordingly, no amounts have been accrued in these financial statements.

(c) From time to time, the Society is subject to certain legal proceedings and claims which arise in the ordinary course of business. These claims are not expected to have a material impact on the financial position or operating results of the Society.

16. Donated materials:

During the year, land with an annual lease valued at \$115,000 (2022 - \$115,000) was leased, by the City of Surrey, at no cost to the Society. The value of the lease is recorded as Local government revenue and as Building occupancy expense.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Disclosure of remuneration:

The Societies Act (British Columbia) requires the disclosure of remuneration paid by the Society to employees and contractors whose remuneration was at least \$75,000, and any amounts of remuneration paid by the Society to members of the Board of Directors.

For the fiscal year ended March 31, 2023, the Society paid total remuneration of \$4,870,451 (2022 - \$4,032,422) to forty-nine (2022 - forty-three) employees for services, each of whom received total annual remuneration of \$75,000 or greater. Included in remuneration is the cost of salaries and premiums for employment insurance, Canada pension plan, workers compensation, benefits including medical, dental, life insurance, long-term disability and pension.

No remuneration of \$75,000 or greater was paid to contractors for services and no remuneration was paid to any members of the Board.

18. Employee future benefits:

The employer and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2022, the plan has approximately 240,000 active members and approximately 124,000 retired members. The Society has 330 active members contributing to the Plan.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The Society paid \$1,673,663 for employer contributions to the Plan in fiscal 2023 (2022 - \$1,631,283).

The next valuation will be as at December 31, 2024, with results available in 2025.

Employers participating in the Plan record their pension expense as the amount of employer contributions made 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

OPTIONS COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

19. Financial risks and concentration of risks:

(a) Credit risk:

Credit risk is the risk of economic loss arising from a party's failure to repay or service debt according to contractual terms. Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash and cash equivalents, investments at fair value and accounts receivable. The Society has deposited cash and restricted cash and made investments with reputable financial institutions, from which management believes the risk of loss to be remote. The Society has receivables from services performed and grants receivable from various bodies of the Government of Canada and the Province of British Columbia. Management does not believe there is a significant credit risk. The Society monitors, on a regular basis, the credit risk to which the Society is exposed in relation to its financial assets and takes steps to minimize the risk of loss.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Interest rate risk:

Fixed interest rate instruments are subject to fair value risks. Further details about the fixed rate investments are included in note 2 and the mortgages payable are included in note 9.

20. Economic dependence:

For the year ended March 31, 2023, the Society received approximately 88% (2022 - 86%) of its revenues through government funding. The Society manages its economic dependence by ensuring that it has a diverse portfolio of contracts with several different entities within Federal, Provincial and Local governments.

21. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform with the presentation of the 2023 financial statements.