

**Central Okanagan Emergency
Shelter Society
Financial Statements
For the Year Ended March 31, 2022**

**Central Okanagan Emergency Shelter Society
Financial Statements
For the Year Ended March 31, 2022**

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Tel: 250 763 6700
Fax: 250 763 4457
Toll-free: 800 928 3307
www.bdo.ca

BDO Canada LLP
1631 Dickson Avenue, Suite 400
Kelowna, BC V1Y 0B5 Canada

Independent Auditor's Report

To the members of Central Okanagan Emergency Shelter Society

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Central Okanagan Emergency Shelter Society (the Society), which comprise the statement of financial position as at March 31, 2022 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, except for the potential effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Society as at March 31, 2022, 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 Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donations, fundraising, excess of revenue over expenses, and cash flows from operations for the year ended March 31, 2022, and net assets as at April 1, 2021 and March 31, 2022.

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 qualified opinion.

Other Matter

The financial statements for the year ended March 31, 2021 were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion on June 25, 2021.



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 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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing 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 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 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 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 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 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.

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 (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.

BDO Canada LLP

Chartered Professional Accountants

Kelowna, British Columbia
August 29, 2022

Central Okanagan Emergency Shelter Society Statement of Financial Position

March 31	2022	(restated) 2021
Assets		
Current		
Cash and cash equivalents	\$ 724,497	\$ 767,930
Accounts receivable	14,986	45,781
Prepaid expenses	20,657	16,391
	760,140	830,102
Restricted cash (Note 3)	3,068,858	2,890,491
Capital assets (Note 4)	968,956	972,732
	\$ 4,797,954	\$ 4,693,325
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 188,905	\$ 152,339
Deferred contributions (Note 6)	186,170	293,367
	375,075	445,706
Deferred shelter enhancement contributions (Note 7)	596,285	605,860
	971,360	1,051,566
Net Assets		
Invested in capital assets	372,672	366,871
Unrestricted	385,064	384,397
Internally restricted operating reserve	455,232	302,011
Internally restricted strategic investment reserve	2,174,731	2,152,650
Internally restricted admin support reserve	438,895	435,830
	3,826,594	3,641,759
	\$ 4,797,954	\$ 4,693,325

On behalf of the Board:

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 Director
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 Director
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Central Okanagan Emergency Shelter Society Statement of Changes in Net Assets

For the year ended March 31	Invested in capital assets	Unrestricted	Internally restricted operating reserve	Internally restricted strategic investment reserve	Internally restricted admin support reserve	2022	(restated) 2021
Net Assets, beginning of the year	\$ 366,871	\$ 384,397	\$ 302,011	\$ 2,152,650	\$ 435,830	\$ 3,641,759	\$ 3,269,897
Excess of revenue over expenses	(26,360)	211,195	-	-	-	184,835	371,862
Acquisition of capital assets	62,130	(62,130)	-	-	-	-	-
Additions to deferred capital contribution assets (Note 7)	(26,936)	26,936	-	-	-	-	-
Disposal of capital assets	(3,033)	3,033	-	-	-	-	-
Allocation to internally restricted reserves	-	(150,000)	150,000	-	-	-	-
Allocation of interest income	-	(28,367)	3,221	22,081	3,065	-	-
Net assets, end of the year	\$ 372,672	\$ 385,064	\$ 455,232	\$ 2,174,731	\$ 438,895	\$ 3,826,594	\$ 3,641,759

The accompanying notes are an integral part of these financial statements.

Central Okanagan Emergency Shelter Society Statement of Operations

For the year ended March 31	2022	(restated) 2021
Revenue		
BC Housing / Transition house	\$ 722,568	\$ 679,448
Donations	552,060	436,766
Thrift store	391,785	280,123
Ministry of Justice / Children Who Witness Abuse	146,810	132,226
COVID grants	131,099	129,531
Wage grant	93,575	45,830
Gaming grant	71,000	66,000
Individual grants	51,402	17,225
Shelter enhancement contributions recognized	36,511	33,818
United Way	30,000	36,000
Fundraising	26,056	86,502
Rent	15,750	9,000
Gaming - service club donations	10,500	8,500
	2,279,116	1,960,969
Operating expenses		
Advertising and promotion	18,708	34,675
Amortization	62,871	57,845
Food	18,334	20,514
Insurance	13,850	7,702
Interest and bank charges	8,514	10,365
Office	8,971	8,114
Operating costs	14,770	27,312
Professional fees	37,770	31,973
Program costs	58,914	36,105
Rental	66,713	40,011
Repairs and maintenance	41,544	21,773
Staff development	33,629	16,285
Supplies	19,673	6,453
Utilities	37,926	30,897
Wages and benefits	1,688,386	1,314,616
	2,130,573	1,664,640
Excess of revenues over expenses before other items	148,543	296,329
Other income (expense items)		
Loss on disposal of equipment	(3,033)	(434)
Interest income	28,610	57,629
Other revenue	10,715	18,338
	36,292	75,533
Excess of revenues over expenses	\$ 184,835	\$ 371,862

The accompanying notes are an integral part of these financial statements.

Central Okanagan Emergency Shelter Society Statement of Cash Flows

For the year ended March 31	2022	(restated) 2021
Cash flows from operating activities		
Cash receipts from customers and funders	\$ 2,176,919	\$ 2,041,537
Cash paid to suppliers and employees	(2,026,887)	(1,609,522)
Interest received	28,610	57,629
Interest paid	(8,514)	(10,365)
	170,128	479,279
Cash flows from investing activities		
Acquisition of capital assets	(62,130)	(72,683)
Transfer to restricted cash	(178,367)	(1,029,485)
	(240,497)	(1,102,168)
Cash flows from financing activities		
Receipts of deferred capital contributions	26,936	21,189
	(43,433)	(601,700)
Net decrease in cash	(43,433)	(601,700)
Cash and cash equivalents, beginning of the year	767,930	1,369,630
Cash and cash equivalents, end of the year	\$ 724,497	\$ 767,930

The accompanying notes are an integral part of these financial statements.

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies

Nature of Business The Central Okanagan Emergency Shelter Society (the "Society") is a not-for-profit registered charity that was incorporated on September 22, 1980 under the the Societies Act of British Columbia. The Society is a non-taxable entity. The purpose of the Society is to provide shelter for abused women and their children.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Cash and Cash Equivalents Cash and cash equivalents consist of balances with banks and petty cash. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash (Note 3) and includes balances with banks and term deposits.

Capital Assets Capital assets are stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Buildings	Straight-line	40 years
Automotive	Straight-line	10 years
Equipment	Straight-line	10 years
Paved Surfaces	Straight-line	10 years

Impairment of Long-lived Assets When a capital asset no longer contributes to the Society's ability to provide goods and services, or the future economic benefits or service potential of the capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations.

Any unamortized deferred contribution amount related to the capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Revenue Recognition The Society follows the deferral method of accounting for contributions and uses fund accounting.

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 to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Income Taxes The Society registered as a charitable organization under the Income Tax Act (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Financial Instruments Arm's length financial instruments are recorded at fair value at initial recognition.

In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in excess of revenues over expenses.

Deferred Shelter Enhancement Contributions Deferred shelter enhancement contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions used to purchase Society's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Internally Restricted Administrative Support Reserve	Internally restricted funds are being held to support two new projects with BC Housing that will provide more shelter and second-stage housing spaces to clients. These funds are earmarked for administration and program support for these two new facilities.
Internally Restricted Operating Reserve	Internally restricted funds are established at the discretion of the Board of Directors of the Society. The operating reserve is intended to support two months of operating expenditures. Such restrictions are appropriations of unrestricted net assets. This reserve is fully funded.
Internally Restricted Strategic Investment Reserve	Internally restricted funds are established at the discretion of the Board of Directors of the Society for strategic investment opportunities that will allow the Society to fulfill its mandate. Such restrictions are appropriations of unrestricted net assets. This reserve is fully funded.
Contributed Services	Volunteers contribute many hours per year to assist the Society in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
Contributed Materials and Inventory	Contributed materials and inventory are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Society's operations and would otherwise have been purchased. Expenses for the year ended March 31, 2022 included contributions of materials with a fair value of \$6,362 (2021 - \$19,116).
Use of Estimates	The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Management makes estimates on the useful life of tangible capital assets for the purpose of amortization. Actual results could differ from management's best estimates as additional information becomes available in the future.

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

2. Prior Period Adjustment

During the year, management identified \$7,158 in revenues that were incorrectly recorded as deferred contributions in the prior year. This resulted in understated revenues on the Statement of Operations and an understatement of unrestricted net assets and overstatement of deferred revenues on the Statement of Financial Position at March 31, 2021. The comparative Information has now been updated to reflect this correction.

3. Restricted Cash

	2022	2021
Internally restricted strategic investment reserve	\$ 2,174,731	\$ 2,152,650
Internally restricted administrative support reserve	438,895	435,830
Internally restricted operating reserve	455,232	302,011
	\$ 3,068,858	\$ 2,890,491

4. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 334,361	\$ -	\$ 334,361	\$ -
Buildings	851,411	429,417	851,411	402,891
Automotive	22,327	21,877	22,327	21,427
Equipment	417,781	205,816	366,069	177,398
Paved Surfaces	933	747	933	653
	1,626,813	657,857	1,575,101	602,369
		\$ 968,956		\$ 972,732

5. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$20,426 (2021 - \$22,130).

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

6. Deferred Contributions

Deferred contributions represents restricted contributions received by the Society that have not yet been allocated, or spent by, the respective program. Changes in the deferred contribution balance are as follows:

	2022	(restated) 2021
Beginning balance	\$ 293,367	\$ 189,236
Contributions received	980,978	551,706
Recognized as revenue during the year	<u>(1,088,175)</u>	<u>(447,575)</u>
	<u>\$ 186,170</u>	<u>\$ 293,367</u>

7. Deferred Shelter Enhancement Contributions

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions used to purchase the Society's capital assets. The changes in the deferred contributions balance for the period are as follows:

	2022	2021
Beginning balance	\$ 605,860	\$ 618,489
Add: restricted contributions related to contributed equipment and capital asset purchases	26,936	21,189
Less: amounts amortized to revenue	<u>(36,511)</u>	<u>(33,818)</u>
	<u>\$ 596,285</u>	<u>\$ 605,860</u>

8. Endowment Fund

The Central Okanagan Foundation owns and administers the Central Okanagan Emergency Shelter Society Fund, which is a fund held in perpetuity on behalf of the Society. The balance of the fund as at March 31, 2022 was \$19,052 (2021 - \$18,864), on which \$1,359 of interest was earned (2021 - \$562) and recorded in the statement of operations. As the fund is owned by the Central Okanagan Foundation, the investment assets have not been recorded by the Society.

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

9. BC Society Act Disclosure

The Societies Act (British Columbia) requires certain information to be reported with regards to remuneration of employees, contractors and directors. Included in wages and benefits on the statement of operations are 5 employees (2021 - 3) with remuneration over \$75,000. The total salaries paid to these individuals for the year ended March 31, 2022 was \$518,773 (2021 - \$315,556).

10. Employee Future Benefits

The Society and its employees contribute to the Municipal Pension Plan ("the Plan"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2020, the Plan has about 220,000 active members and approximately 111,500 retired members. Active members include approximately fifteen contributors from the Society.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the 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 unfunded actuarial liability.

The most recent valuation for the Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2021, with results available in fall 2022.

The Society and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer defined benefit pension plan, the Society's contributions are expensed as incurred. The Society paid \$81,913 (2021 - \$57,039) for employer contributions to the Plan in the fiscal year 2022.

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

11. Contingencies

In February 2009 the Society received a forgivable loan from Canada Mortgage and Housing Corporation ("CMHC") in the amount of \$460,000. These funds were used to retire the existing bank loan on the Society's 2nd Stage Housing Shelter. The loan is forgivable over a 15 year period ending February 1, 2024.

The CMHC loan is forgivable provided that the Society continues to use and own the property and building as an emergency shelter on a not-for-profit basis. It is management's opinion that they will continue to meet these requirements, therefore the funds have been recognized according to the Society's accounting policy for deferred contributions and included in the deferred shelter enhancement contributions.

12. Commitments

The Society's total obligations for the next four years, under various operating leases for occupied premises, exclusive of realty taxes and other occupancy charges, are as follows:

2023	\$	73,375
2024		39,024
2025		4,197
2026		732
		<hr/>
	\$	<u>117,328</u>

13. Comparative Figures

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

Central Okanagan Emergency Shelter Society Notes to Financial Statements

March 31, 2022

14. Financial Instruments

The Society holds various forms of financial instruments. The nature of these instruments and the Society's operations expose the Society to interest and liquidity risks. The Society manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent possible.

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

The Society's ability to obtain funding from external sources may be restricted if the Society's financial performance and condition deteriorate.

Management has determined that the Society is not significantly exposed to liquidity risk given its secured funding sources. There have not been any changes in the risk from the prior year.