

RICHMOND ADDICTION SERVICES SOCIETY
Financial Statements
Year Ended March 31, 2019

RICHMOND ADDICTION SERVICES SOCIETY
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Year Ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Richmond Addiction Services Society

Report on the Financial Statements

Opinion

We have audited the financial statements of Richmond Addiction Services Society (the Society), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019, 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.

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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

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Independent Auditor's Report to the Members of Richmond Addiction Services Society *(continued)*

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating 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 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 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.

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.

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Independent Auditor's Report to the Members of Richmond Addiction Services Society *(continued)*

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of 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 year.

Langley, British Columbia
July 17, 2019

A handwritten signature in black ink, appearing to read "Avison". The signature is written in a cursive, flowing style.

CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND ADDICTION SERVICES SOCIETY
Statement of Financial Position
March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 565,069	\$ 555,804
Restricted cash (Note 4)	60,001	70,368
Accounts receivable (Note 5)	367,765	19,208
Interest receivable	2,561	1,316
Prepaid expenses	16,476	15,283
	1,011,872	661,979
CAPITAL ASSETS (Note 6)	12,973	11,438
	\$ 1,024,845	\$ 673,417
LIABILITIES		
CURRENT		
Accounts payable (Note 7)	\$ 161,831	\$ 147,106
Unexpended gaming funds (Note 4)	60,001	70,368
Deferred revenue (Note 8)	749,121	384,830
Current portion of capital lease obligation (Note 9)	951	951
	971,904	603,255
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	5,348	7,131
CAPITAL LEASE OBLIGATION (Note 9)	266	1,217
	977,518	611,603
NET ASSETS		
Invested in capital assets	6,408	2,139
Internally restricted (Note 10)	60,000	60,000
Unrestricted	(19,081)	(325)
	47,327	61,814
	\$ 1,024,845	\$ 673,417

LEASE COMMITMENTS (Note 11)

APPROVED ON BEHALF OF THE BOARD

C. M. Kline
 _____ Director

D. M. Kline
 _____ Director

The accompanying notes form an integral part of these financial statements

RICHMOND ADDICTION SERVICES SOCIETY
Statement of Changes in Net Assets
Year Ended March 31, 2019

	Invested in capital assets	Internally restricted	Unrestricted	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 2,139	\$ 60,000	\$ (325)	\$ 61,814	\$ 57,641
Deficiency of revenue over expenses	(4,227)	-	(10,260)	(14,487)	4,173
Investment in capital assets, net	7,545	-	(7,545)	-	-
Deferred capital funding received	-	-	-	-	-
Payments under capital lease obligation	951	-	(951)	-	-
NET ASSETS - END OF YEAR	\$ 6,408	\$ 60,000	\$ (19,081)	\$ 47,327	\$ 61,814

The accompanying notes form an integral part of these financial statements

RICHMOND ADDICTION SERVICES SOCIETY
Statement of Revenues and Expenditures
Year Ended March 31, 2019

	2019	2018
REVENUE		
Vancouver Coastal Health	\$ 795,804	\$ 776,466
Municipal grants	217,727	213,458
Other grants	295,556	156,085
Gaming grant	70,367	53,659
Donations, fundraising	5,211	14,767
Interest and sundry	5,476	5,058
Membership dues, fees, workshops, rent	1,378	973
	<u>1,391,519</u>	<u>1,220,466</u>
EXPENSES		
Salaries and benefits	1,137,505	929,520
Program expenses	104,575	101,786
Rent	71,728	92,709
IT support and internet	21,028	20,634
Office, postage, courier and other	17,386	21,403
Telephone and utilities	12,807	13,149
Staff development	9,245	8,506
Audit and accounting	8,200	9,385
Automobile and travel	7,317	5,060
Janitorial services and maintenance	6,135	6,358
Insurance	5,853	4,539
	<u>1,401,779</u>	<u>1,213,049</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>(10,260)</u>	<u>7,417</u>
OTHER INCOME		
Amortization of deferred capital contributions	1,783	1,782
Amortization of capital assets	(6,010)	(5,026)
	<u>(4,227)</u>	<u>(3,244)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (14,487)</u>	<u>\$ 4,173</u>

The accompanying notes form an integral part of these financial statements

RICHMOND ADDICTION SERVICES SOCIETY
Statement of Cash Flows
Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (14,487)	\$ 4,173
Items not affecting cash:		
Amortization of deferred capital contributions	(1,783)	(1,782)
Amortization of capital assets	6,010	5,026
	<u>(10,260)</u>	<u>7,417</u>
Changes in non-cash working capital:		
Accounts receivable	(348,557)	(15,216)
Interest receivable	(1,245)	(674)
Prepaid expenses	(1,193)	(6,450)
Accounts payable	14,725	17,345
Unexpended gaming funds	(10,367)	6,341
Deferred revenue	364,291	151,910
	<u>17,654</u>	<u>153,256</u>
Cash flow from operating activities	<u>7,394</u>	<u>160,673</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(7,545)</u>	<u>(10,446)</u>
FINANCING ACTIVITIES		
Restricted cash	10,367	(6,341)
Payments under capital lease obligations	(951)	(685)
Deferred capital contributions received	-	8,913
	<u>9,416</u>	<u>1,887</u>
Cash flow from financing activities	<u>9,416</u>	<u>1,887</u>
INCREASE IN CASH FLOW	9,265	152,114
Cash - beginning of year	<u>555,804</u>	<u>403,690</u>
CASH - END OF YEAR	\$ 565,069	\$ 555,804
CASH CONSISTS OF:		
Cash	\$ 279,319	\$ 202,259
Cash equivalents	<u>285,750</u>	<u>353,545</u>
	\$ 565,069	\$ 555,804

The accompanying notes form an integral part of these financial statements

RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2019

1. DESCRIPTION OF ORGANIZATION

Richmond Addiction Services Society (the "Society") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. The Society was formed to provide support and services for the prevention and treatment of addiction in its local community. The Society is located in Richmond, British Columbia.

As a Registered Charity, the Society is exempt from the payment of income tax under Section 149(1)(f) of the Canadian Income Tax Act.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are term deposits and are valued at cost. The carrying amounts approximate fair value because they are readily convertible to a known amount of cash.

Contributions receivable

Contributions are generally only recorded when received. Under very specific conditions a contribution will be recorded as receivable if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Capital assets

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Computer hardware	33%
Equipment and furniture	20%
Leasehold improvements	10%
Computer hardware under capital lease	33%

The Society regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Contributed services and materials

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee future benefits

As part of the union contract that the Society is a party to, the Society has certain obligations with respect to sick leave and severance benefits. The accrued benefit obligation is based on the most recent actuarial valuation report prepared for funding purposes.

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions, donations, fundraising, interest, and other revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian 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 amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the determination of the estimated useful lives of capital assets. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. GAMING FUND REVENUE AND EXPENSES AND FUND BALANCE

	2019	2018
Unexpended gaming funds, beginning of year	\$ 70,368	\$ 64,027
Received from the British Columbia Gaming Commission	60,000	60,000
Expenditures	(70,367)	(53,659)
	\$ 60,001	\$ 70,368

RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2019

5. ACCOUNTS RECEIVABLE

	2019	2018
Accounts receivable	\$ 16,532	\$ 16,765
Contributions receivable	350,000	-
GST recoverable	1,233	2,444
	\$ 367,765	\$ 19,209

Contributions receivable at March 31, 2019 relate to a government grant that was approved before but received subsequent to year end.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value
Computer hardware	\$ 9,063	\$ 4,800	\$ 4,263
Equipment and furniture	10,871	5,128	5,743
Leasehold improvements	4,073	1,106	2,967
Computer hardware under capital lease	12,107	12,107	-
	\$ 36,114	\$ 23,141	\$ 12,973

	Cost	Accumulated amortization	2018 Net book value
Computer hardware	\$ 4,131	\$ 1,779	\$ 2,352
Equipment and furniture	10,871	2,953	7,918
Leasehold improvements	1,460	292	1,168
Computer hardware under capital lease	12,107	12,107	-
	\$ 28,569	\$ 17,131	\$ 11,438

RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2019

7. EMPLOYEE FUTURE BENEFITS

The Society has obligations to certain of its employees in respect of accrued sick leave and severance benefits. The amounts recorded by the Society are based on figures and information supplied by Mercer (Canada) Limited.

	2019	2018
<i>Reconciliation of Accrued Benefit Obligation</i>		
Accrued Benefit Obligation - beginning	\$ 75,480	\$ 70,310
Current service cost	6,746	6,900
Finance cost	2,491	2,110
Benefits paid	(10,000)	(10,000)
Actuarial (gain) loss	10,486	6,160
	\$ 85,203	\$ 75,480
<i>Reconciliation of Funded Status</i>		
Surplus (deficit) at end of year	\$ (85,203)	\$ (75,480)

This deficit is included as part of the total accounts payable balance of \$161,831 (2018 - \$147,106) on the statement of financial position.

8. DEFERRED CONTRIBUTIONS

	2019	2018
<u>Deferred Contributions</u>		
Balance - beginning of year	\$ 384,830	\$ 232,920
Contributions received	890,457	485,800
Amounts amortized to income	(526,166)	(333,890)
	\$ 749,121	\$ 384,830
<u>Deferred Capital Contributions</u>		
Balance - beginning of year	\$ 7,131	\$ -
Contributions received	-	8,913
Amounts amortized to income	(1,783)	(1,782)
	\$ 5,348	\$ 7,131

RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2019

9. OBLIGATIONS UNDER CAPITAL LEASE

The Society entered into a capital lease for equipment. The following is a schedule of future minimum lease payments under the capital lease expiring March 31, 2021:

2020	\$ 951
2021	<u>266</u>
Total minimum lease payments	1,217
Less: current portion	<u>951</u>
	<u>\$ 266</u>

There is no imputed interest in the contract.

The equipment is capitalized to the equipment and furniture account at a cost of \$2,853.

10. INTERNALLY RESTRICTED NET ASSETS

The board of directors has restricted \$60,000 of the net assets as a fund for the Society to use in the event that the Society experiences a delay in receipt of its funding sources or experiences the cancellation of a contract or a reduction in funds from its funding sources. The board reviews the adequacy of this fund on an annual basis.

11. LEASE COMMITMENTS

The Society is subject to minimum future lease payments for certain equipment and its premises expiring on various dates up to July 31, 2022.

The future minimum lease payments during the next four years are expected to be as follows:

2020	\$ 76,488
2021	74,869
2022	72,790
2023	<u>18,197</u>
	<u>\$ 242,344</u>

RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2019

12. PENSION PLAN FOR EMPLOYEES

The Society and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees of the Municipal Pension Plan, 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 provided are based on a formula. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local government.

The most recent actuarial valuation as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation will be December 31, 2018, with results available in 2019. As at the date these financial statements were issued the results of the December 31, 2018 valuation were not yet available.

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.

The Society paid \$84,641 (2018 - \$66,075) for employer contributions to the plan in the 2019 fiscal year. This amount is included as part of the Salaries and Benefits amount on the Statement of Revenues and Expenditures.

13. REMUNERATION DISCLOSURE

During the year ended March 31, 2019, the Society paid total remuneration of \$500,784 (2018 - \$595,059) to five (2018 - six) employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes all wages and benefits.

RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2019

14. FINANCIAL INSTRUMENTS

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.

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.

Interest rate risk

The Society's investments are in instruments that bear interest at market rates. The Society is minimally exposed to the risk of lower investment returns if the prevailing market interest rates change significantly. There has been no change to the risk exposure from 2018.

Credit risk

It is management's opinion that the Society is not exposed to significant credit risks from these financial instruments because accounts receivable is comprised mainly of amounts receivable from provincial and federal government agencies. There has been no change to the risk exposure from 2018.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet a demand for cash or fund its obligations as they become due. The Society meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. There has been no change to the risk exposure from 2018.