

**PLEA COMMUNITY SERVICES
SOCIETY OF BRITISH COLUMBIA**

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2020

**PLEA COMMUNITY SERVICES
SOCIETY OF BRITISH COLUMBIA**
Consolidated Financial Statements
For the Year Ended 31 March 2020

Contents

| | |
|---|--------|
| Independent Auditors' Report | |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Changes in Net Assets | 5 |
| Consolidated Statement of Operations | 6 |
| Consolidated Statement of Cash Flows | 7 |
| Notes to the Consolidated Financial Statements | 8 - 18 |
| Schedule of Expenses | 19 |

**ROLFE, BENSON LLP**

CHARTERED PROFESSIONAL ACCOUNTANTS

1500 – 1090 West Georgia Street
Vancouver, B.C. V6E 3V7
Tel: 604-684-1101 Fax: 604-684-7937
E-mail: admin@rolfebenson.com

INDEPENDENT AUDITORS' REPORT

To the Members,
PLEA Community Services Society of British Columbia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PLEA Community Services Society of British Columbia (the "Society"), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statements of changes in net assets, operations and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as at 31 March 2020, and its consolidated results of operations and its consolidated 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 Auditors' Responsibilities for the Audit of the Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.



INDEPENDENT AUDITORS' REPORT - continued

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.



ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT - continued

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Rolfe, Benson LLP


Chartered Professional Accountants

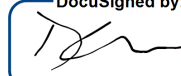
Vancouver, BC
24 June 2020

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Consolidated Statement of Financial Position
31 March 2020

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Assets | | |
| Current | | |
| Cash | \$ 4,589,101 | \$ 6,434,227 |
| Restricted cash (Note 3) | 3,464,276 | 1,108,276 |
| Accounts receivable | 1,405,299 | 1,153,130 |
| Prepaid expenses | 146,923 | 101,744 |
| | 9,605,599 | 8,797,377 |
| PLEA KidStart Summer Camp Trust (Note 4) | 1,027,307 | 1,204,807 |
| Investment for Legacy Fund (Note 5) | 53,447 | 75,656 |
| Investment for KidStart Legacy Fund (Note 6) | 211,731 | 214,058 |
| Investment in Vancity Membership Shares | 12,146 | 12,402 |
| Tangible capital assets (Note 7) | 5,637,725 | 5,649,460 |
| Intangible assets (Note 8) | - | 4,337 |
| | \$ 16,547,955 | \$ 15,958,097 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 9) | \$ 1,859,766 | \$ 1,554,676 |
| Long-term debt - current portion (Note 10) | 1,084,380 | 269,623 |
| Deferred contributions (Note 11) | 2,446,898 | 3,258,196 |
| | 5,391,044 | 5,082,495 |
| Long-term debt (Note 10) | 2,144,664 | 3,230,117 |
| | 7,535,708 | 8,312,612 |
| Commitments (Note 13) | | |
| Net Assets | | |
| Invested in tangible capital and intangible assets | 2,408,681 | 2,154,050 |
| Restricted | 2,926,847 | 2,602,798 |
| Unrestricted | 3,776,497 | 2,888,637 |
| | 9,112,025 | 7,645,485 |
| Non-controlling interest | (99,778) | - |
| | 9,012,247 | 7,645,485 |
| | \$ 16,547,955 | \$ 15,958,097 |

APPROVED BY THE DIRECTORS:

DocuSigned by:

 F71D4609297948A... Director

DocuSigned by:

 3803EFA4C8FB4E1... Director

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

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Consolidated Statement of Changes in Net Assets
For the Year Ended 31 March 2020

| | Invested in tangible capital and intangible assets | Internally Restricted | | | Other (Note 3) | Total Internally Restricted | Unrestricted | 2020 | 2019 |
|---|---|----------------------------------|----------------------------|----------------|-------------------|-----------------------------------|--------------|-----------|-----------|
| | | KidStart Summer Camp Trust | KidStart Legacy Fund | Legacy Fund | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance - beginning of year | 2,154,050 | 1,204,808 | 214,058 | 75,656 | 1,108,276 | 2,602,798 | 2,888,637 | 7,645,485 | 6,288,271 |
| Excess (deficiency) of revenues over expenses for the year | (239,784) | (132,976) | (2,327) | (22,209) | 66,292 | (91,220) | 1,797,544 | 1,466,540 | 1,357,214 |
| Transfer to (from) internally restricted funds (Notes 3 and 4) | - | (44,525) | - | - | 459,794 | 415,269 | (415,269) | - | - |
| Investment in tangible capital assets | 494,415 | - | - | - | - | - | (494,415) | - | - |
| Balance - end of year | 2,408,681 | 1,027,307 | 211,731 | 53,447 | 1,634,362 | 2,926,847 | 3,776,497 | 9,112,025 | 7,645,485 |

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

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Consolidated Statement of Operations
For the Year Ended 31 March 2020

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Revenue | | |
| Government contracts | \$ 31,080,105 | \$ 27,581,244 |
| Grant revenue (Note 15) | 1,099,475 | 526,142 |
| Fee for services income | 331,749 | - |
| Gaming revenue | 301,335 | 88,000 |
| Miscellaneous revenue | 252,292 | 77,626 |
| Interest income | 168,756 | 130,586 |
| Donations (Note 14) | 131,670 | 57,596 |
| Rental revenue | 66,600 | 66,600 |
| Fundraising revenue | 14,859 | 943 |
| | <u>33,446,841</u> | <u>28,528,737</u> |
| Expenses | | |
| Salaries and benefits (Notes 16 and 18) | 15,052,057 | 12,575,016 |
| Family caregiver fees and expenses (Note 18) | 11,040,934 | 9,873,850 |
| Programs - Schedule | 3,397,198 | 2,964,417 |
| Administrative - Schedule | 1,343,660 | 1,058,827 |
| Facilities - Schedule | 584,556 | 549,072 |
| Amortization | 220,179 | 186,337 |
| Interest on long-term debt | 127,022 | 116,314 |
| | <u>31,765,606</u> | <u>27,323,833</u> |
| Excess of revenues over expenses before other items | <u>1,681,235</u> | <u>1,204,904</u> |
| Other income (expenses) | | |
| Investment income | 67,619 | 55,543 |
| Gain (loss) on sale of investments | 6,042 | (2,212) |
| Loss on disposal of tangible capital assets | (19,605) | (2,463) |
| Unrealized gain (loss) on market value of investments | (231,041) | 101,442 |
| | <u>(176,985)</u> | <u>152,310</u> |
| Excess of revenues over expenses for the year | <u>\$ 1,504,250</u> | <u>\$ 1,357,214</u> |
| Attributable to | | |
| Members of the controlling entity | \$ 1,466,540 | \$ 1,357,214 |
| Non-controlling interest | 37,710 | - |
| | <u>\$ 1,504,250</u> | <u>\$ 1,357,214</u> |

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

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Consolidated Statement of Cash Flows
For the Year Ended 31 March 2020

| | 2020 | 2019 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Excess of revenues over expenses for the year | \$ 1,504,250 | \$ 1,357,214 |
| Items not involving cash | | |
| Amortization | 220,179 | 186,337 |
| Unrealized loss (gain) in market value of investments | 231,041 | (101,442) |
| Loss (gain) on sale of investments | (6,042) | 2,212 |
| Loss on disposal of tangible capital assets | 19,605 | 2,463 |
| Recovery of previously recorded impairment | (253,162) | - |
| Equity loss on investment | 45,487 | - |
| | 1,761,358 | 1,446,784 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (245,855) | 987,698 |
| Prepaid expenses | (35,949) | 12,815 |
| Accounts payable and accrued liabilities | 264,673 | 144,668 |
| Deferred contributions | (811,298) | 274,194 |
| | 932,929 | 2,866,159 |
| Investing activities | | |
| Purchase of tangible capital assets | (223,712) | (2,654,298) |
| Purchase of investments | (253,237) | (186,317) |
| Proceeds on sale of investments | 230,536 | 74,874 |
| Cash acquired on business combination | 95,054 | - |
| | (151,359) | (2,765,741) |
| Financing activities | | |
| Increase in (repayment of) long-term debt, net | (270,696) | 2,203,192 |
| Net increase in cash | 510,874 | 2,303,610 |
| Cash - beginning of year | 7,542,503 | 5,238,893 |
| Cash - end of year | \$ 8,053,377 | \$ 7,542,503 |
| Cash consists of: | | |
| Cash | \$ 4,589,101 | \$ 6,434,227 |
| Restricted cash | 3,464,276 | 1,108,276 |
| | \$ 8,053,377 | \$ 7,542,503 |

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

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

1. Purpose and Operations

PLEA Community Services Society of British Columbia (“the Society” or “PLEA”) was incorporated under the Societies Act of British Columbia on 28 June 1979 as Pacific Legal Education Association. On 2 March 2005 PLEA legally changed its name to PLEA Community Services Society of British Columbia. PLEA is an accredited not-for-profit organization and a registered charity under the Income Tax Act of Canada. The purpose of the Society is to develop and operate youth and adult support programs in the Lower Mainland area of British Columbia. The majority of these programs are funded under contract with the Province of British Columbia’s Ministry of Children and Family Development (“MCFD”), Community Living B.C., and the Vancouver Coastal and Fraser Health Authorities. Operation of the Society’s programs is largely dependent upon the annual renewal of the Society’s contracts with the Province of British Columbia. Other significant sources of program funding come from contracts with the Government of Northwest Territories and the Government of Yukon.

2. Summary of Significant Accounting Policies

The consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Society and its subsidiary BJP Case Administration Management System Ltd. (BJP). The Society has a 61.5% interest in BJP, a for-profit private corporation, incorporated under the laws of British Columbia. All intercompany balances and transactions have been eliminated.

(b) Non-controlling interest

Non-controlling interest in the Society’s less than wholly owned subsidiary is classified as a separate component of net assets. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity’s contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest’s share of changes to the subsidiary’s equity.

Changes in the Society’s ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest’s relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Society’s share of proceeds received and/or consideration paid is recognized directly in net assets and attributed to members of the Society.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

2. Summary of Significant Accounting Policies - continued

(c) Financial Instruments

i. Measurement

The Society initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the consolidated statement of operations.

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

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

The Society's financial assets measured at fair value include its investments held for the PLEA KidStart Summer Camp Trust, Legacy Fund, KidStart Legacy Fund and Vancity Membership Shares.

ii. Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the consolidated statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the consolidated statement of operations.

iii. Transaction Costs

The Society recognizes its transaction costs in the consolidated statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(d) Revenue Recognition

The Society follows the deferral method of accounting for contributions. Under this method, revenue from government contracts and grants is recognized in the year in which the related program services are delivered and expenses are incurred. Unrestricted contributions, interest income, rental income and donations are recorded as revenue when received or receivable. Fees for service are recorded once the service has been provided and collection is reasonably assured.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

2. Summary of Significant Accounting Policies - continued

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost and amortized over their estimated useful lives at the following annual rates:

| | | |
|-------------------------|-------------------------------------|-------------------------------|
| Buildings | | 2% straight-line |
| Furniture and equipment | | 20% declining balance |
| Computer equipment | 2 years straight-line, 55% and 100% | declining balance |
| Automobile | | 30% declining balance |
| Leasehold improvements | | straight-line over lease term |

Half the amortization is taken in the year of acquisition for all tangible capital assets.

(f) Intangible Assets

Intangible assets are recorded at cost and amortized over their useful lives at the following annual rates:

| | |
|-------------------|-----------------------|
| Computer software | 55% declining balance |
|-------------------|-----------------------|

Half the amortization is taken in the year of acquisition for all intangible assets.

(g) Donated Goods and Services

The Society does not recognize the fair value of donated goods and services. Volunteers contribute a significant amount of time every year to assist the Society in carrying out its programs and services. Due to the difficulty of determining their fair market value, contributed services are not recognized in the consolidated financial statements.

(h) Use of Estimates

The preparation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items requiring the use of management estimates include amortization period and rates related to tangible capital assets and recognition of accrued liabilities. Management believes that estimates utilized in preparing the consolidated financial statements are prudent and reasonable, however, actual results could differ from those estimates.

(i) Impairment of Long-lived Assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recovered. When a tangible capital asset or intangible asset no longer contributes to the services provided by the Society its carrying amount is written down to its fair value.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

2. Summary of Significant Accounting Policies - continued

(j) Pension Plan

The Society is a member of the British Columbia Municipal Pension Plan (the “Plan”). The Plan is a contributory defined benefit pension plan providing a pension on retirement based on various factors, including age at retirement, length of service and earnings. As the assets and liabilities of the Plan are not segregated by member, the Plan is accounted for as defined contribution plan and any contributions of the Society to the Plan are expensed as incurred.

3. Restricted Cash

Restricted cash is comprised of the following:

| | 2020 | 2019 |
|--|--------------|--------------|
| Cash for internally restricted funds | | |
| Building Contingency Fund | \$ 1,182,861 | \$ 850,840 |
| IT Equipment Replacement Fund | 255,884 | 181,157 |
| Operations Reserve Funds | 195,617 | - |
| Other | - | 76,279 |
| | 1,634,362 | 1,108,276 |
| Other | | |
| Deferred Contributions | 1,627,183 | - |
| Province of British Columbia’s Community Gaming Grants | 202,731 | - |
| | 1,829,914 | - |
| | \$ 3,464,276 | \$ 1,108,276 |

During the year, the Board approved the transfer of \$459,794 (2019 - \$203,000) of unrestricted funds to the restricted fund.

4. PLEA KidStart Summer Camp Trust

A Deed of Trust was established on 27 September 2006 between Alasdair Gordon (the Settlor) and PLEA (the Trustee). The Settlor made a donation to the Trustee to facilitate the establishment of ongoing revenue to allow disadvantaged children and youth to attend summer camp. The Trustee will hold, retain, invest and keep invested the Trust Property and will pay or distribute all or any of the income or the capital of the Trust Property from time to time, in such amounts as the Trustee may determine.

The funds are invested in marketable securities and are restricted by the terms and conditions in the Deed of the Trust. As at 31 March 2020, the cost of the investments in this Fund is \$774,694 (2019 - \$761,925).

During the year, the Board approved the transfer of \$44,525 (2019 - \$44,600) from the KidStart Summer Camp Trust to the unrestricted fund.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

5. Investment for Legacy Fund

In 2014, the Board approved the establishment of a Legacy Fund. As at 31 March 2020, the cost of the investments in this Fund is \$63,748 (2019 - \$60,277).

6. Investment for KidStart Legacy Fund

In 2017, the Board approved the establishment of a KidStart Legacy Fund. As at 31 March 2020, the cost of the investments in this Fund is \$237,770 (2019 - \$212,018).

7. Tangible Capital Assets

| | Cost | Accumulated Amortization | Net Book Value | |
|-------------------------|---------------------|-----------------------------|---------------------|---------------------|
| | | | 2020 | 2019 |
| Land | \$ 2,349,046 | \$ - | \$ 2,349,046 | \$ 2,349,046 |
| Buildings | 3,632,037 | 633,971 | 2,998,066 | 3,018,503 |
| Computer equipment | 759,816 | 666,587 | 93,229 | 79,411 |
| Furniture and equipment | 121,346 | 42,026 | 79,320 | 106,260 |
| Automobiles | 248,119 | 155,159 | 92,960 | 89,567 |
| Leasehold improvements | 147,897 | 126,800 | 21,097 | 1,664 |
| Land improvements | 16,984 | 12,977 | 4,007 | 5,009 |
| | <u>\$ 7,275,245</u> | <u>\$ 1,637,520</u> | <u>\$ 5,637,725</u> | <u>\$ 5,649,460</u> |

8. Intangible Assets

| | Cost | Accumulated Amortization | Net Book Value | |
|----------|-------------------|-----------------------------|----------------|-----------------|
| | | | 2020 | 2019 |
| Software | <u>\$ 215,542</u> | <u>\$ 215,542</u> | <u>\$ -</u> | <u>\$ 4,337</u> |

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances of \$154,923 (2019 - \$37,023).

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

10. Long-Term Debt

| | 2020 | 2019 |
|---|---------------------|--------------|
| VanCity Savings Credit Union mortgage #006, bearing interest at 2.99% per annum and repayable at \$1,141 per month. Repaid in full in October 2019. | \$ - | \$ 170,529 |
| VanCity Savings Credit Union mortgage #007, bearing interest at 2.90% per annum and repayable in monthly instalments of principal and interest of \$3,700 per month. The mortgage is due 9 April 2020 and is secured by a first charge against the lands and improvements thereon at 12159 Sullivan Street, Surrey, B.C. which has a carrying value of \$841,913. | 542,466 | 570,746 |
| VanCity Savings Credit Union mortgage #010, bearing interest at 2.79% per annum and repayable in monthly instalments of principal and interest of \$2,575 per month. The mortgage is due 27 November 2020 and is secured by a first charge against the lands and improvements thereon at 16590 96 th Avenue, Surrey, B.C. which has a carrying value of \$719,427. | 485,423 | 502,569 |
| VanCity Savings Credit Union mortgage #011, bearing interest at 4.25% per annum and repayable in monthly instalments of principal and interest of \$12,413 per month. The mortgage is due 1 May 2023 and is secured by a first charge against the lands and improvements thereon at 3894 Commercial Street, Vancouver, B.C. which has a carrying value of \$703,700. | 2,201,155 | 2,255,896 |
| | 3,229,044 | 3,499,740 |
| Less: Current portion | 1,084,380 | 269,623 |
| | \$ 2,144,664 | \$ 3,230,117 |

Future principal repayments are as follows:

| | |
|------|---------------------|
| 2021 | \$ 1,084,380 |
| 2022 | 58,939 |
| 2023 | 2,085,725 |
| | \$ 3,229,044 |

Subsequent to the year end, the VanCity Savings Credit Union mortgage #007 was renewed for a 2.95% 5 year fixed term mortgage repayable in monthly instalments of principal and interest of \$3,730.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

11. Deferred Contributions

Deferred contributions represent unspent resources externally restricted for the delivery of specified programs and received in advance of the Society's obligation to perform. Certain unspent contributions are repayable upon the request of funders. Deferred contributions are as follows:

| | Government Contributions | Grants | 2020 | 2019 |
|-----------------------------|-------------------------------------|-------------------|---------------------|---------------------|
| Balance - beginning of year | \$ 3,133,203 | \$ 124,993 | \$ 3,258,196 | \$ 2,984,002 |
| Additions | 548,479 | 1,132,162 | 1,680,641 | 1,984,549 |
| Revenue recognized | <u>(1,747,064)</u> | <u>(744,875)</u> | <u>(2,491,939)</u> | <u>(1,710,355)</u> |
| Balance - end of year | <u>\$ 1,934,618</u> | <u>\$ 512,280</u> | <u>\$ 2,446,898</u> | <u>\$ 3,258,196</u> |

12. Line of Credit

The Society has an operating line of credit with VanCity Savings Credit Union to a maximum of \$500,000 which bears interest at prime plus 1% per annum. As at 31 March 2020, no amount was drawn from the line of credit.

13. Commitments

The Society leases certain business premises and equipment. Under the terms of these leases, the Society is committed to the following annual minimum lease payments including taxes as well as a proportional share of common area maintenance costs.

| | |
|------|-------------------|
| 2021 | \$ 244,000 |
| 2022 | 37,394 |
| 2023 | <u>53,531</u> |
| | <u>\$ 334,925</u> |

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

14. Donations

Charitable donations received during the year were designated by the donors to the following general programs operated by the Society:

| | 2020 | 2019 |
|------------------------|-------------------|------------------|
| KidStart | \$ 54,303 | \$ 53,504 |
| Children of the Street | 60,321 | - |
| Other | 17,046 | 4,092 |
| | \$ 131,670 | \$ 57,596 |

15. Endowment Funds

In July 1999, the Society transferred the Bernie Agg Scholarship Fund and the PLEA Volunteer Program for Children Fund in the amount of \$25,000 each to the Vancouver Foundation as permanent endowment funds for the Society. During the year, the Society received distributions from these endowment funds of \$2,088 (2019 - \$2,004).

16. Pension Plan

The Society is a member of the British Columbia Municipal Pension Plan which is open to eligible employees in British Columbia. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan and provides pension benefits based on various factors including age, earnings and length of service.

Effective 1 January 2020, the Society's contribution rate increased to 9.80% (2019 - 9.78%). The employees contribute 8.50% (2019 - 8.50%) on the first \$58,700 (2019 - \$57,400) of their salaries to the plan and 10% (2019 - 10%) of salary in excess of \$58,700 (2019 - \$57,400).

An actuarial valuation of the Municipal Pension Plan's assets and pension liabilities is performed at least every three years. The most recent full actuarial valuation for funding purposes available was prepared as at 31 December 2018 and completed in the year 2019. The valuation disclosed a surplus for basic pension benefits to \$2,866 million in the plan. \$2,203 million of this surplus is required to maintain the contribution rate at the current average rate of 18.46% of salaries, while the balance of \$663 million is to be transferred to a contribution Rate Stabilization Account within the Basic Account.

Pension plan expense for the year ended 31 March 2020 amounted to \$1,053,436 (2019 - \$858,370).

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

17. Financial Instruments

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations at the consolidated statement of financial position date, 31 March 2020.

(a) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; monitors and manages its cash and investment balance to ensure adequate cash flow is available to repay creditors and debt obligations as payments become due. Additional cash requirements are met with the use of the available operating line of credit (Note 12). The Society's primary lender is a single provincially regulated financial institution in Canada. There has been no change to the risk exposure from the prior year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to its cash and accounts receivable. The Society limits its credit risk by placing its cash with provincially regulated, credit worthy financial institutions in Canada. The Society has a geographical concentration of credit risk for accounts receivable due to its operations being primarily in British Columbia. Accounts receivable are non-interest bearing and are generally due in 30 - 90 days primarily from government funding agencies. Management assesses on a continuous basis, accounts receivable and writes off any amounts that are deemed to be uncollectible. There has been no change to the risk exposure from the prior year.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk and other price risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Society does not use derivative instruments to reduce its risk exposure. There has been no change to the risk exposure from the prior year.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

17. Financial Instruments - continued

(e) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investment in shares. There has been no change to the risk exposure from the prior year.

18. Remuneration of Employees, Contractors and Directors

The Societies Act (British Columbia) requires a society (other than a society designated as a member-funded society) to include, in its consolidated financial statements, the disclosure of any remuneration paid to its directors, and remuneration paid to employees and contractors earning more than \$75,000 during the fiscal year. For the fiscal year ended 31 March 2020, the Society's ten most highly remunerated employees and contractors with remuneration in excess \$75,000 total \$1,733,282 and are included in salaries and benefits and family caregiver fees and expenses. The Board of Directors of the Society did not receive any remuneration during the 2020 fiscal year.

19. COVID-19 Impact

In January 2020, the World Health Organization declared the COVID-19 outbreak to be a public health emergency. This pandemic has caused an increase in economic uncertainty that has led to volatility in international markets and disrupted business operations around the world. The Society's primary source of revenue is derived from government contracts, grant revenue and investment income. At the date of the Independent Auditors' Report, the Society's management has been unable to determine the impact of the COVID-19 pandemic on future revenues, expenses and operations.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA
Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2020

20. Adoption of New and Revised Accounting Standards for Not-for-profit Organizations

The Society adopted the following new and revised accounting standards in these financial statements:

(a) *Adoption of Section 4433, Tangible Capital Assets Held by Not-for-profit Organizations*

Effective 1 April 2019, the Society adopted Section 4433 on a prospective basis. The standard outlines how to account for the cost of contributed tangible capital assets, the amortization of tangible capital assets, the recognition of partial impairments of tangible capital assets and the disclosure of impairment losses.

The Society elected not to apply the requirements for componentization of tangible capital assets held at 1 April 2019 and hence did not allocate the costs of tangible capital assets and related amortization to the component parts of tangible capital assets held at 1 April 2019.

The Society has determined that the adoption of this standard did not have a material impact on the financial statements.

(b) *Adoption of Section 4434, Intangible Assets Held by Not-for-profit Organizations*

Effective 1 April 2019, the Society adopted Section 4434, on a prospective basis. The standard outlines how to account for the recognition of partial impairments of intangible assets and the disclosure of impairment losses.

The Society holds computer software. The Society has determined that the adoption of this standard did not have a material impact on the financial statements.

21. Comparative Figures

Certain 2019 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2020.

PLEA COMMUNITY SERVICES SOCIETY OF BRITISH COLUMBIA

Schedule of Expenses

For the Year Ended 31 March 2020

| | 2020 | 2019 |
|-------------------------------------|---------------------|---------------------|
| Programs | | |
| Activities | \$ 1,113,534 | \$ 997,384 |
| Travel and automotive | 902,158 | 781,961 |
| Materials | 196,714 | 171,337 |
| Training | 156,755 | 132,676 |
| Medical | 145,408 | 44,376 |
| Meetings and conferences | 136,250 | 96,663 |
| Supplemental support | 119,871 | 46,569 |
| Special payments | 113,305 | 134,319 |
| Contracted services | 97,406 | 153,407 |
| Volunteers | 86,999 | 85,413 |
| Community engagement | 47,955 | 76,954 |
| KidStart camps | 44,619 | 44,481 |
| Accessibility and accommodation | 43,381 | 27,479 |
| HRMS and payroll system expense | 33,997 | 25,887 |
| Dues | 33,327 | 18,480 |
| Counselling assessment | 28,003 | 49,480 |
| Clothing | 26,279 | 20,324 |
| Caregiver star-up cost | 23,000 | 9,000 |
| Fundraising | 16,269 | 2,450 |
| Glitz expense | 8,434 | 645 |
| Website | 7,551 | 6,741 |
| Christmas hampers | 5,692 | - |
| Education | 5,682 | 25,793 |
| Pride Parade expense | 3,109 | 3,131 |
| Scholarship | 1,500 | 2,500 |
| Psychologist and assessments | - | 6,667 |
| Donation | - | 300 |
| | \$ 3,397,198 | \$ 2,964,417 |
| Administrative | | |
| IT maintenance | \$ 286,909 | \$ 162,246 |
| Contracted services | 211,711 | 251,257 |
| Telephone and pagers | 199,744 | 183,997 |
| Office | 158,343 | 140,669 |
| Computer maintenance | 147,594 | 111,876 |
| Legal | 88,505 | 8,012 |
| Insurance | 47,415 | 11,624 |
| Equipment rental and maintenance | 43,339 | 19,557 |
| Audit | 36,844 | 56,166 |
| Advertising | 32,214 | 33,576 |
| Printing | 29,054 | 21,036 |
| Furniture, fixtures, and equipment | 26,336 | 30,436 |
| Licences and dues | 15,524 | 7,100 |
| Bank charges and interest | 7,024 | 5,263 |
| Accreditation | 6,459 | 4,835 |
| Bad debt | 3,521 | 4,718 |
| Board expenses | 3,124 | 6,459 |
| | \$ 1,343,660 | \$ 1,058,827 |
| Facilities | | |
| Rent, property taxes and utilities | \$ 366,484 | \$ 336,427 |
| Janitorial and building maintenance | 176,114 | 124,813 |
| Building insurance | 41,958 | 87,832 |
| | \$ 584,556 | \$ 549,072 |