

Consolidated financial statements of

**Association of Neighbourhood
Houses of British Columbia**

March 31, 2016

Association of Neighbourhood Houses of British Columbia

March 31, 2016

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Independent Auditor's Report

To the Board of Directors of
the Association of Neighbourhood Houses of British Columbia

We have audited the accompanying consolidated financial statements of the Association of Neighbourhood Houses of British Columbia (the "Association"), which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2016 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

As required by the Society Act (British Columbia), we report that in our opinion, these consolidated financial statements are prepared on a basis consistent with that of the previous year.

Deloitte LLP

Chartered Professional Accountants
June 7, 2016
Vancouver, British Columbia

Association of Neighbourhood Houses of British Columbia

Consolidated statement of operations
year ended March 31, 2016

	2016	2015
	\$	\$
Revenue (Schedule 1)		
Earned income	7,347,135	6,800,037
Province of British Columbia	4,665,341	4,512,279
Federal government	2,257,526	2,138,649
United Way	1,202,596	1,325,441
Other contributions and miscellaneous income	1,065,204	1,004,294
City of Vancouver	1,045,392	1,005,260
Gaming	780,100	775,300
Donations and fund raising	458,839	360,807
Investment income (Note 10)	272,728	313,469
	<u>19,094,861</u>	<u>18,235,536</u>
Expenses (Schedule 1)		
Salaries and benefits	13,958,188	13,129,570
Program, food and transportation	1,703,746	1,780,689
Building occupancy	1,221,652	1,020,277
Purchased services and subcontracts	1,064,398	1,048,906
Other expenses	372,907	374,361
Office expenses	359,606	365,951
	<u>18,680,497</u>	<u>17,719,754</u>
Excess of revenue over expenses from operations (Schedule 1)	414,364	515,782
Amortization of deferred capital contributions	635,195	390,757
Amortization of property and equipment	(872,302)	(689,496)
Unrealized (loss) gain on investments	(210,422)	174,076
<u>(Deficit) / excess of revenue over expenses</u>	<u>(33,165)</u>	<u>391,119</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Association of Neighbourhood Houses of British Columbia

Consolidated statement of changes in net assets
year ended March 31, 2016

				2016	2015
	Invested in property and equipment	Internally restricted (Note 8)	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	418,890	3,949,399	2,045,560	6,413,849	6,022,730
(Deficit) / excess of revenue over expenses	(237,107)		203,942	(33,165)	391,119
Purchase of property and equipment	909,928		(909,928)		
Deferred property and equipment contributions (Note 7)	(552,215)		552,215		
Vehicle loan	(21,429)		21,429		
Internally restricted funds		342,462	(342,462)		
Balance, end of year	518,067	4,291,861	1,570,756	6,380,684	6,413,849

* Comprised of amortization expense of \$872,302 less amortization of deferred contributions of \$635,195.



Association of Neighbourhood Houses of British Columbia

Consolidated statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash (Note 9)	1,414,633	885,631
Investments (Note 3)	6,587,950	6,919,279
Restricted cash (Note 9)	693,670	804,259
Accounts receivable	1,151,655	1,326,966
Prepaid expenses and other assets	112,580	114,014
	<u>9,960,488</u>	<u>10,050,149</u>
Restricted cash (Note 6)	114,026	73,350
Property and equipment (Note 4)	14,167,526	14,129,900
	<u>24,242,040</u>	<u>24,253,399</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,229,023	1,174,041
Deferred contributions (Note 5)	2,890,277	2,881,148
	<u>4,119,300</u>	<u>4,055,189</u>
Deferred contributions for property and equipment (Note 7, 13)	13,628,030	8,521,211
Replacement reserve (Note 6)	114,026	73,350
BCHMC Loan (Note 13)		5,189,800
	<u>17,861,356</u>	<u>17,839,550</u>
Net assets		
Invested in property and equipment	518,067	418,890
Internally restricted (Note 8)	4,291,861	3,949,399
Unrestricted	1,570,756	2,045,560
	<u>6,380,684</u>	<u>6,413,849</u>
	<u>24,242,040</u>	<u>24,253,399</u>

Commitments (Note 14)

Approved by the Board


 _____ Director

 _____ Director

The accompanying notes to the financial statements are an integral part of this financial statement

Association of Neighbourhood Houses of British Columbia

Consolidated statement of cash flows as at March 31, 2016

	2016	2015
	\$	\$
Operating activities		
(Deficit) / excess of revenue over expenses	(33,165)	391,119
Items not affecting cash		
Amortization of deferred capital contributions	(635,195)	(390,757)
Amortization of property and equipment	872,302	689,496
Unrealized loss (gain) on investments	210,422	(174,076)
	<u>414,364</u>	<u>515,782</u>
Changes in non-cash operating items		
Accounts receivable	175,311	770,201
Restricted cash (Note 9)	110,588	(17,915)
Prepaid expenses and other assets	1,434	37,036
Accounts payable and accrued liabilities	54,982	(1,438,476)
Deferred contributions	9,129	154,345
	<u>351,444</u>	<u>(494,809)</u>
	765,808	20,973
Investing activities		
Purchase of property and equipment	(909,928)	(4,202,813)
Sale (purchase) of investments, net	120,907	(91,713)
Funds held for development project		800,000
Restricted cash (Note 6)	(40,676)	(31,500)
	<u>(829,697)</u>	<u>(3,526,026)</u>
Financing activities		
BCHMC disbursements		4,122,009
BCHMC repayments		(2,577,021)
Replacement reserve (Note 6)	40,676	31,500
Contributions for property and equipment (Note 7)	552,215	1,752,439
	<u>592,891</u>	<u>3,328,927</u>
Increase (decrease) in cash	529,002	(176,126)
Cash, beginning of year	885,631	1,061,757
Cash, end of year (Note 9)	<u>1,414,633</u>	<u>885,631</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Association of Neighbourhood Houses of British Columbia

Notes to the consolidated financial statements
March 31, 2016

1. Description of operations

The Association of Neighbourhood Houses of British Columbia (the "Association") is a not-for-profit organization incorporated under the Society Act of B.C. As a registered charity under the Income Tax Act of Canada, the Association is not subject to income taxes. The Association is a community based organization devoted to the enhancement of neighbourhoods. The Association operates seven neighbourhood houses, the Sasamat Outdoor Centre, and other metropolitan services. The seven neighbourhood houses of the Association are as follows: Kitsilano, Cedar Cottage, Gordon, Alexandra, South Vancouver, Mount Pleasant and Frog Hollow (collectively the "Houses").

The Association exercises control over ANHBC Neighbourhood Houses Foundation (incorporated in April 2013), a not-for-profit charitable organization which was created specifically to hold the land and building of the redeveloped Kitsilano Neighbourhood House.

2. Significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Basis of presentation

These financial statements are consolidated and include the accounts of the controlled not-for-profit organization ANHBC Neighbourhood Houses Foundation ("the Foundation").

(b) Revenue recognition

The Association follows the deferral method of accounting for contributions. Grants received from governments are accounted for as contributions.

Under this method, unrestricted contributions and unrestricted investment income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue at the amortization rate of the related property and equipment.

Earned income represents user fees for services rendered in child care, camping and other programs by the Association. These fees are recognized as revenue when earned.

Endowment contributions are recognized as direct increases in net assets when received.

(c) Property and equipment

Purchased and constructed property and equipment are recorded at cost less accumulated amortization. Contributed property and equipment are recorded at fair market value at the date of contribution. Amortization is recorded over the estimated useful service lives of the assets on a straight line basis as follows:

Buildings	20 years
Building - Kitsilano Neighbourhood House	40 years
Electronic equipment	4 years
Furniture and fixtures	5 years
Leaseholds	20 years
Software	3 years
Vehicles	5 years

For property under construction, amortization is recorded when the asset is substantially complete.

Association of Neighbourhood Houses of British Columbia

Notes to the consolidated financial statements

March 31, 2016

2. Significant accounting policies (continued)

(c) *Property and equipment (continued)*

Management reviews property and equipment for impairment when events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Association. When an asset no longer has future value to the Association, an impairment loss is recorded for the excess of the carrying value over any residual value.

(d) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following instruments:

- (i) Investments in unlisted shares, which are measured at cost less any reduction for impairment;
- (ii) Investments in mutual funds, which are measured at fair value.

Changes in unrealized gains and losses on investments and realized gains and losses on sale of investments measured at fair value are included in the statement of operations in the period incurred.

With respect to financial assets measured at cost or amortized cost, the Association recognizes in the statement of operations an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

(e) *Donated materials and services*

The Association does not record the value of donated materials and services, other than property and equipment, as the fair value is not readily determinable.

(f) *Deferred contributions*

Restricted grants and contributions received which relate to programs and events to be carried out in future fiscal years are reflected as deferred contributions.

Restricted grants and contributions received to fund property and equipment acquisitions are reflected as deferred contributions for property and equipment and are amortized in the statement of operations over the service lives of the related item of property and equipment.

(g) *Use of estimates*

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the consolidated financial statements. Accounts that required significant estimates in determining the stated amounts include the estimated service lives of property and equipment. Actual results could differ from the estimates.

Association of Neighbourhood Houses of British Columbia

Notes to the consolidated financial statements

March 31, 2016

2. Significant accounting policies (continued)

(h) Allocation of common expenses

The Association follows a fee for service principle for allocating certain common administration and financial services expenses amongst the Houses.

Central office administration expenses of \$120,000 (2015 - \$160,000) are allocated equally among all the Houses.

Human Resource administration expenses of \$101,960 (2015 - \$Nil) are allocated proportionate to staffing at each House

Financial services expenses of \$573,996 (2015 - \$542,060) are allocated proportionate to the budgets of the Houses.

Additional Central office administration expense of \$3,000 (2015 - \$5,000) was charged to Kitsilano Neighbourhood House for their redevelopment project.

(ij) Pension plan

The Association maintains a multi-employer defined benefit pension plan for its employees, which provides pension benefits based on length of service and the average of the best five consecutive years of earnings. The pension plan is accounted for using defined contribution plan accounting, as sufficient information to account for this plan as a defined benefit plan is not available.

3. Investments

	2016	2015
	\$	\$
Mutual funds (measured at fair value)	4,624,000	4,709,229
Term deposits (measured at amortized cost)	1,953,900	2,200,000
Unlisted shares (measured at cost)	10,050	10,050
	<u>6,587,950</u>	<u>6,919,279</u>

4. Property and equipment

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	337,472		337,472	337,472
Buildings	5,822,648	4,343,191	1,479,457	1,284,376
Building - Kitsilano				
Neighbourhood House	11,695,121	373,778	11,321,343	11,487,082
Electronic equipment	1,440,355	1,276,669	163,686	150,075
Furniture and fixtures	778,456	611,700	166,756	176,563
Leaseholds	5,547,127	4,923,975	623,152	594,985
Software	91,737	86,912	4,825	9,715
Vehicles	749,398	678,563	70,835	89,632
	<u>26,462,314</u>	<u>12,294,788</u>	<u>14,167,526</u>	<u>14,129,900</u>

Association of Neighbourhood Houses of British Columbia

Notes to the consolidated financial statements

March 31, 2016

5. Deferred contributions

	2016	2015
	\$	\$
Beginning balance	2,881,148	2,726,803
Add: contributions received during the year	2,732,571	2,665,911
Less: amount recognized as revenue during the year	(2,723,442)	(2,511,566)
Ending balance	2,890,277	2,881,148

Deferred contributions represent restricted contributions designated for expenditure in future periods for programs being administered across the various neighbourhood houses.

6. Replacement reserve

In fiscal year 2013, the Association entered into an operator agreement with British Columbia Housing Management Commission ("BCHMC") to manage a seniors' housing complex consisting of 30 units at B" Avenue and Vine Street and 15 units at 7th Avenue and Vine Street in Vancouver. The operator agreement requires the Association to maintain a replacement reserve designated for capital repairs, replacements and improvements on the building. The changes in replacement reserve balance are as follows:

	2016	2015
	\$	\$
Balance, beginning of year	73,350	41,850
Add: contributions for the year	40,676	31,500
<u>Less: expenditure for the year</u>		
Balance, end of year	114,026	73,350

7. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent contributions received where the donor has restricted their usage to property and equipment purchased or constructed by the Association. The changes in the deferred contributions balance for the year are as follows:

	2016	2015
	\$	\$
Balance, beginning of year	8,521,211	2,629,529
Add: contributions received during the year	552,214	1,752,439
Add: BCHMC forgivable Joan classified as deferred contribution		4,530,000
Add: BCHMC grant (Note 13)	5,189,800	
Less: amounts amortized to operations	(635,195)	(390,757)
Balance, end of year	13,628,030	8,521,211

\$5,189,800 is being amortized to revenue over 40 years to match the amortization of the property for which the grant is related.

Association of Neighbourhood Houses of British Columbia

Notes to the consolidated financial statements

March 31, 2016

8. Net assets internally restricted

As at March 31, 2016, the Association's Board of Directors has internally restricted net assets of \$4,291,861 (2015 - \$3,949,399) to be used for a variety of purposes. Of this amount, \$3,100,000 (2015 - \$2,700,000) has been restricted for property and equipment, \$1,191,861 (2015 - \$1,149,399) for working capital and contingencies and \$Nil (2015 - \$100,000) for other purposes. These internally restricted amounts are not available for other uses or programs without approval of the Board of Directors.

9. Restricted cash

Of the cash balance at March 31, 2016, \$693,670 (2015 - \$804,259) relates to unspent gaming funds. The use of gaming funds is restricted under the Gaming Control Act of B.C. An equivalent amount is included in the balance of deferred contributions (Note 5). Management expects to spend these funds within the next fiscal year.

10. Vancouver Foundation endowment fund

The Association has established a permanent endowment fund with the Vancouver Foundation. The Association has contributed \$460,000, which has been partially matched by a contribution by the Vancouver Foundation of \$450,000, for a total endowment fund of \$910,000. The fund is administered by the Vancouver Foundation, which distributes the earnings of the fund quarterly to the Association. Income from the Vancouver Foundation in the amount of \$53,519 (2015 - \$49,322) has been included in investment income for the year.

11. Operating line of credit

The Association has an unsecured operating line of credit of up to \$150,000 bearing interest at the bank prime rate plus 1% per annum. As at March 31, 2016, this facility was unused (2015 - unused).

12. Pension plan

The Association is a member of a multi-employer defined benefit pension plan administered by the United Way of the Lower Mainland. An actuarial valuation is performed at least every three years. The last valuation as at December 31, 2013 estimates that the accrued liability for pension benefits exceeds the assets under administration by \$4.3 million for the entire plan using an insolvency valuation method (\$4.9 million excess of pension assets over accrued liability using a going concern valuation method). The actuary does not attribute a portion of the unfunded liability to individual employees.

The employer contribution rate to the plan is 175% of employee contributions. The total pension expense of \$776,247 (2015 - \$716,812) for the year is included in salaries and benefits in the statement of operations.

13. BCHMC loan

The BCHMC loan balance as at March 31, 2015 was \$5,189,800 which represented a demand loan for redevelopment of the Kitsilano Neighbourhood House facility, bearing a variable interest rate at the lower of the Royal Bank of Canada prime rate plus 1% or the BCHMC cost of funds from Ministry of Finance plus 9/16%. The loan was secured by a second mortgage over the Association's property located at 2325 West 7th Avenue in Vancouver. During the year ended March, 31 2016 as part of the financing arrangements with BCHMC, this loan was converted into a grant. The entire amount has been classified as deferred contributions for property and equipment and is being amortized to revenue over 40 years to match the amortization of the property.

Association of Neighbourhood Houses of British Columbia

Notes to the consolidated financial statements

March 31, 2016

14. Commitments

The Association leases several business premises and equipment under operating lease agreements. Minimum annual payments are as follows:

	\$
2017	182,143
2018	122,776
2019	87,839
2020	80,669
2021	67,478
	<hr/> 540,905

15. Financial instruments and risk management

(a) Credit risk

Credit risk is the risk that a counter party will fail to perform its obligations as they come due. The Association is exposed to credit risk on its accounts receivable, cash balances and term deposits held as investments. However, the credit risk rising from accounts receivable is mitigated as the Association has a number of donors and funders, including governments, and does not have significant exposure to any individual counterparty. Additionally, the majority of cash balances and term deposits are held at credit unions and are guaranteed by the Credit Union Deposit Insurance Corporation.

(b) Interest rate risk

The Association is exposed to interest rate risk through its investments as the risk that the value of these financial instruments will fluctuate due to changes in interest rates and the degree of volatility of those rates. The Association does not use derivative instruments to reduce its exposure to interest rate risk.

(c) Liquidity risk

The Association's objective is to have sufficient liquidity to meet its liabilities when due. The Association monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2016, the most significant financial liabilities are accounts payable and accrued liabilities.

(d) 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.

The Association is exposed to market risk as the investments in mutual funds are subject to fluctuations due to price changes on the market. The prices can also be affected by changes in interest rates and foreign currency exchange rates.

Association of Neighbourhood Houses of British Columbia

Schedule of consolidated operating revenue and expenses - Schedule 1 year ended March 31, 2016

											2016	2015
	Central Office	Kitsilano N.H.	Cedar Cottage N.H.	Gordon N.H.	Alexandra N.H.	South Vancouver N.H.	M1 Pleasant N.H.	Frog Hollow N.H.	Sasamat Outdoor Centre	Recoveries	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Earned income	950,656	982,268	1,338,016	134,051	1,376,904	592,665	645,254	1,040,724	1,085,553	(798,956)	7,347,135	6,800,037
Province of British Columbia	1,830	206,087	810,889	82,494	559,116	1,750,185	332,543	1,061,920		(139,723)	4,665,341	4,512,279
Federal government		21,805	64,115	44,390	50,477	638,900	531,337	841,372	65,130		2,257,526	2,138,649
United Way	49,997	203,645	66,895	67,145	149,336	241,085	271,078	86,520	66,895		1,202,596	1,325,441
Other contributions and miscellaneous income	18,665	117,886	158,970	217,762	39,268	218,323	199,118	75,746	19,466		1,065,204	1,004,294
City of Vancouver		134,587	165,220	99,191		219,477	173,941	252,976			1,045,392	1,005,260
Gaming	85,800	72,000	94,000	80,000	100,000	100,000	86,000	82,300	80,000		780,100	775,300
Donations and fund raising	1,473	65,892	54,113	172,535	38,933	10,760	65,943	33,792	15,398		458,839	360,807
Investment income (Note 10)	102,290	12,421	61,137	14,360	4,482	18,116	8,105	25,257	26,560		272,728	313,469
	1,210,711	1,816,591	2,813,355	911,928	2,318,516	3,789,511	2,313,319	3,500,607	1,359,002	{938,679}	19,094,861	18,235,536
Expenses												
Salaries and benefits	844,639	1,069,142	2,213,132	619,534	1,780,045	2,628,415	1,706,196	2,365,906	731,179		13,958,188	13,129,570
Program, food and transportation	3,675	134,391	217,039	107,463	126,002	272,959	206,223	388,867	247,127		1,703,746	1,780,689
Building occupancy	69,921	294,133	128,729	83,423	120,503	196,345	76,692	165,527	86,379		1,221,652	1,020,277
Purchased services and subcontracts	114,853	174,051	145,685	67,312	216,451	558,001	203,692	452,814	70,218	(938,679)	1,064,398	1,048,906
Other expenses	97,863	32,984	31,416	19,083	29,493	55,232	27,751	46,467	32,618		372,907	374,361
Office expenses	40,409	37,887	15,821	27,676	49,150	48,620	70,252	55,328	14,463		359,606	365,951
	1,171,360	1,742,588	2,751,822	924,491	2,321,644	3,759,572	2,290,806	3,474,909	1,181,984	{938,679}	18,680,497	17,719,754
Excess (deficiency) of revenue over expenses	39,351	74,003	61,533	(12,563)	(3,128]	29,939	22,513	25,698	177,018		414,364	515,782
Prior year excess (deficiency) of revenue over expenses	51,123	(8,687)	146,980	6,327	5,29_	_ _ 11,491	21,481	196,443	_____ ! _ \$ _ ,		515,782	541,315

The accompanying notes to the financial statements are an integral part of this financial statement.