

GABRIOLA HOUSING SOCIETY

FINANCIAL STATEMENTS

December 31, 2020

AUDITORS' REPORT

To the Directors
Gabriola Housing Society

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Gabriola Housing Society, which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information

Qualified Opinion

We have audited the accompanying financial statements of Gabriola Housing Society, which comprise the statement of financial position as at Thursday, December 31, 2020, the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Gabriola Housing Society as at Thursday, December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Qualified 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 Gabriola Housing Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT

(Continued)

Basis for Qualified Opinion - cont.

In common with many not-for-profit organizations, the society derives revenue from donations and sponsorships, 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 and sponsorships, excess of revenues over expenditures, assets, or fund balances.

Other Matters

We draw attention to Note 1 to the financial statements, which describes that Gabriola Housing Society adopted Canadian accounting standards for not-for-profit organizations on January 1, 2019 with a transition date of January 1, 2019. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2019 and the statement of income and retained earnings, and cash flows for the period ended December 31, 2019 and related disclosures. We were not engaged to report on the restated comparative information and, as such, it is neither audited nor reviewed.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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 Gabriola Housing Society 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 Gabriola Housing Society or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing Gabriola Housing Society financial reporting process.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 Gabriola Housing Society 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 entity'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 Gabriola Housing 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of Gabriola Housing Society to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements - cont.

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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



CHURCH PICKARD

Chartered Accountants

Nanaimo, BC
April 20, 2021

GABRIOLA HOUSING SOCIETY

STATEMENT OF FINANCIAL POSITION as at **December 31, 2020**

	December 31, 2020	December 31, 2019	January 1, 2019
		(unaudited)	
Assets			
Current			
Cash and cash equivalents	\$ 82,057	\$ 131,813	\$ 4,126
Accounts receivable	39,312	120	-
Prepaid expenses	<u>1,144</u>	<u>902</u>	<u>-</u>
	122,513	132,835	4,126
Affordable Housing project	101,906	34,499	-
Property - Note 2	<u>487,905</u>	<u>487,905</u>	<u>-</u>
	<u>\$ 712,324</u>	<u>\$ 655,239</u>	<u>\$ 4,126</u>

Liabilities

Current			
Accounts payable and accrued liabilities	\$ 17,684	\$ 10,032	\$ -
Deferred income	-	-	3,900
Promissory note payable - Note 4	<u>108,877</u>	<u>11,000</u>	<u>-</u>
	<u>126,561</u>	<u>21,032</u>	<u>3,900</u>

Net Assets

Net investment in property	480,934	511,404	-
Unrestricted net assets	<u>104,829</u>	<u>122,803</u>	<u>226</u>
	<u>585,763</u>	<u>634,207</u>	<u>226</u>
	<u>\$ 712,324</u>	<u>\$ 655,239</u>	<u>\$ 4,126</u>

Approved:

Barry Loescher

Nancy Hetherington Peir

GABRIOLA HOUSING SOCIETY

STATEMENT OF OPERATIONS

For the year ended **December 31, 2020**

	2020	2019 (unaudited)
Revenue		
Donations - Note 3	\$ 2,900	\$ 621,246
Grants	-	39,900
Memberships	45	55
	2,945	661,201
Other revenue		
Interest	19	10
	2,964	661,211
Expenses		
Professional fees	47,245	19,697
Insurance	2,052	651
Office supplies	1,265	1,375
Licences and dues	350	74
Interest and bank charges	241	705
Advertising and promotion	123	1,352
Fundraising expenses	46	3,194
Travel	46	182
Rent	40	-
	51,408	27,230
Excess of revenue over expenses (expenses over revenue)	(48,444)	633,981
Net assets, beginning of the year	634,207	226
Net assets, end of the year	\$ 585,763	\$ 634,207

GABRIOLA HOUSING SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

For the year ended **December 31, 2020**

	Investment in Property	Unrestricted	Total 2020	Total 2019
				(unaudited)
Balance, beginning of the year	\$ 511,404	\$ 122,803	\$ 634,207	\$ 226
Excess of revenue over expenses (expenses over revenue)	-	(48,444)	(48,444)	633,981
Affordable Housing project additions	67,407	(67,407)	-	-
Housing loan acquired	(108,877)	108,877	-	-
GICIC Loan repayment	<u>11,000</u>	<u>(11,000)</u>	<u>-</u>	<u>-</u>
Balance, end of the year	<u>\$ 480,934</u>	<u>\$ 104,829</u>	<u>\$ 585,763</u>	<u>\$ 634,207</u>

GABRIOLA HOUSING SOCIETY

STATEMENT OF CASH FLOWS

For the year ended **December 31, 2020**

	2020	2019
		(unaudited)
Cash provided (used):		
Operating activities		
Excess of revenue over expenses (expenses over revenue)	\$ (48,444)	\$ 633,981
Item not involving cash		
Donation of land	-	(484,000)
	(48,444)	149,981
Changes in non-cash operating accounts		
(Increase) in accounts receivable	(39,192)	(120)
Increase in BC Affordable Housing project	(67,407)	(34,499)
Increase in prepaid expenses	(242)	(902)
Increase in accounts payable and accrued liabilities	7,652	10,032
Decrease in deferred revenue	-	(3,900)
Increase in deferred capital contributions	97,877	11,000
	(49,756)	131,592
Investing activities		
Purchase of property - legal fees	-	(3,905)
(Decrease) increase in cash	(49,756)	127,687
Cash, beginning of the year	131,813	4,126
Cash, end of the year	<u>\$ 82,057</u>	<u>\$ 131,813</u>
Cash is defined as:		
Cash - unrestricted	<u>\$ 82,057</u>	<u>\$ 131,813</u>

GABRIOLA HOUSING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2020**

Purpose of the organization

Gabriola Housing Society was incorporated under the laws of the *Province of British Columbia Societies Act* on March 4, 2013 and is exempt from income tax as a non-profit organization. The society is also a registered charity under the *Income Tax Act* effective January 1, 2019. Its purpose is to relieve poverty by supporting, developing and/or operating housing projects that provide housing to people with low to modest incomes on Gabriola Island.

1. Significant accounting policies

These financial statements are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations, hereinafter referred to as "ASPNO."

The financial statements for the year ended December 31, 2020 were prepared in accordance with the accounting principles described and the provisions set out in Section 1501, *First-Time Adoption*, of *CPA Canada Handbook - Accounting for first-time adopter of this basis of accounting*.

The impact of adopting these standards was accounted for in net assets, at the transition date of January 1, 2019. However, because of the elections the society has chosen upon transition, no adjustments were required to be made to retained earnings at the date of transition.

- Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

- Property

Property is recorded at cost.

GABRIOLA HOUSING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2020**

1. **Significant accounting policies** - cont.

- Use of estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions, mainly considering values, which affect reported amounts of assets, liabilities, revenue and expenses, and related disclosures. Amounts are based on best estimates, but actual amounts may vary from the amounts recorded. Significant areas requiring the use of management estimates relate to the determination of the amortization of property and equipment, and provisions for contingencies. Adjustments, if any, will be reflected in operations in the period of settlement.

- Revenue recognition

Gabriola Housing Society follows the deferral method of accounting for revenue. Donations restricted for the purchase of property and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property and equipment. Grants, donations, and revenue with external restrictions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations are recognized when received or receivable if the amount can be reasonably estimated and collection is assured.

- Donated property

Donated property is recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the organization's operations and would otherwise have been purchased.

GABRIOLA HOUSING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2020**

1. Significant accounting policies - cont.

- Financial instruments

Financial instruments are recorded at fair value on initial recognition and subsequently measured 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 statement of income and retained earnings.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and other current liabilities.

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 statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, 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.

2. Property

	Cost	Accumulated Amortization	Net 2020	Net 2019
Land	<u>\$ 487,905</u>	<u>\$ -</u>	<u>\$ 487,905</u>	<u>\$ 487,905</u>

3. Donations

	2020	2019
Land	\$ -	\$ 484,000
Cash	<u>2,900</u>	<u>137,246</u>
	<u>\$ 2,900</u>	<u>621,246</u>

GABRIOLA HOUSING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2020**

4. Promissory note payable

The society has access to a \$110,000 non-interest bearing Promissory note funded by BC Housing. The purpose of the loan is to further develop the Paisley Place project, to provide affordable housing for families and seniors.

If the proposed project proceeds to a loan commitment to develop the project, the amount advanced will be repaid out of the first mortgage loan advance.

If, for any reason, the project does not proceed to a loan commitment, any unexpected balance of the loan is to be payable on demand to BC Housing. If the society does not subsequently receive a loan commitment by March 18, 2023, the loan will be forgiven.

In 2019, the society had access to a \$11,000 callable term loan, bearing interest at 6% per annum and was fully repaid, including interest, in 2020.

5. Government remittances

The society has the following amounts receivable (owing) for government remittances at December 31, 2020:

	2020	2019
GST rebate	<u>\$ 1,870</u>	<u>\$ -</u>

GABRIOLA HOUSING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2020**

6. Effects of COVID-19

Before the end of the fiscal year on March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, based on the rapid increase in global cases. British Columbia's Public Health Officer also issued several public health orders, prior to the end of the fiscal year, to help curb the impact of the pandemic on the province.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the situation and its effects on the society's finances, operations, and workforce. While BC is not currently on lockdown, there are still many restrictions in place. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the society is not able to estimate the effects of the COVID-19 outbreak on its operations or finances at this time.

7. Comparative figures

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

8. Financial risks and concentrations of risk

Unless otherwise noted, the society is not expected to be exposed to any significant financial risks.

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