
Financial statements of The Kettle Friendship Society

March 31, 2020

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Independent Auditor's Report

To the Members of
The Kettle Friendship Society

Opinion

We have audited the financial statements of The Kettle Friendship Society (the "Society"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2020, 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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.

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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
June 11, 2020
Vancouver, British Columbia

The Kettle Friendship Society
Statement of operations
Year ended March 31, 2020

	Operating Fund (Schedule 1)	Capital Fund	Replacement Reserve Fund	2020 Total
Notes	\$	\$	\$	\$
Revenue				
Vancouver Coastal Health Authority	4,574,683	—	—	4,574,683
BC Housing Management				
Commission (BCHMC)	3,707,414	—	133,392	3,840,806
Rent	1,497,729	—	—	1,497,729
Designated donations	1,518,478	—	—	1,518,478
Grants	442,146	—	—	442,146
Donations	387,723	—	—	387,723
User fees and memberships	121,431	—	—	121,431
Tenant contributions	195,277	—	—	195,277
Program rent and recoveries	55,644	—	15,969	71,613
BC Gaming Commission	125,098	—	—	125,098
City of Vancouver	134,628	—	—	134,628
Sponsorship and event income	164,732	—	—	164,732
Other	58,004	—	—	58,004
Vancouver Yaffa Housing Society	56,878	—	—	56,878
Endowment income	9,472	—	—	9,472
Interest earned	1,431	—	822	2,253
	<u>13,050,768</u>	<u>—</u>	<u>150,183</u>	<u>13,200,951</u>
Expenses				
Advertising	8,891	—	—	8,891
Allowances to clients	119,835	—	—	119,835
Amortization	—	766,815	—	766,815
Bank charges	8,628	—	80	8,708
Board of Directors	9,353	—	—	9,353
Bad debt	48,728	—	—	48,728
Consulting	57,657	—	—	57,657
Food	279,886	—	—	279,886
Fundraising	87,385	—	—	87,385
Housing rent	1,162,962	—	—	1,162,962
Insurance	117,466	—	—	117,466
Interest on long-term debt	983,432	—	—	983,432
Legal	7,820	—	—	7,820
Maintenance and supplies	284,422	—	147,667	432,089
Medical supplies	1,481	—	—	1,481
Office administration and miscellaneous	146,856	—	—	146,856
Payroll service costs	33,394	—	—	33,394
Pest control	15,923	—	—	15,923
Professional fees	31,415	—	—	31,415
Program supplies	228,114	—	—	228,114
Property taxes	76,911	—	—	76,911
Rent	7,147	—	—	7,147
Salaries, wages and benefits	7,860,976	—	—	7,860,976
Service contracts	168,184	—	—	168,184
Staff development	94,668	—	—	94,668
Tenant damage	20,271	—	—	20,271
Tenant utilities	6,976	—	—	6,976
Telephone	94,904	—	—	94,904
Travel	48,436	—	—	48,436
Utilities	532,567	—	—	532,567
Volunteers	16,117	—	—	16,117
	<u>12,560,805</u>	<u>766,815</u>	<u>147,747</u>	<u>13,475,367</u>
Excess (deficiency) of revenue over expenses	<u>489,963</u>	<u>(766,815)</u>	<u>2,436</u>	<u>(274,416)</u>

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

The Kettle Friendship Society
Statement of operations (continued)
Year ended March 31, 2020

Notes	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	2019 Total \$
Revenue				
	4,549,560	—	—	4,549,560
	3,528,137	—	134,884	3,663,021
	1,497,425	—	—	1,497,425
	1,399,439	—	—	1,399,439
	262,542	—	—	262,542
	351,331	—	—	351,331
	169,821	—	—	169,821
	195,235	—	—	195,235
	55,644	—	15,969	71,613
	125,130	—	—	125,130
	155,145	—	—	155,145
	111,366	—	—	111,366
	76,217	—	—	76,217
	47,666	—	—	47,666
10	9,331	—	—	9,331
	1,636	—	807	2,443
	<u>12,535,625</u>	<u>—</u>	<u>151,660</u>	<u>12,687,285</u>
Expenses				
	25,536	—	—	25,536
	118,852	—	—	118,852
	—	755,710	—	755,710
	6,186	—	70	6,256
	5,312	—	—	5,312
	45,046	—	—	45,046
	277,614	—	—	277,614
	83,291	—	—	83,291
	1,201,800	—	—	1,201,800
	111,706	—	—	111,706
	931,533	—	—	931,533
	7,442	—	—	7,442
	249,177	—	137,379	386,556
	1,627	—	—	1,627
	129,166	—	—	129,166
	35,771	—	—	35,771
	14,246	—	—	14,246
	43,325	—	—	43,325
	184,911	—	—	184,911
	72,165	—	—	72,165
	5,047	—	—	5,047
14	7,264,647	—	—	7,264,647
	184,744	—	—	184,744
	56,087	—	—	56,087
	20,046	—	—	20,046
	6,532	—	—	6,532
	97,122	—	—	97,122
	49,835	—	—	49,835
	514,582	—	—	514,582
	15,570	—	—	15,570
	<u>11,758,918</u>	<u>755,710</u>	<u>137,449</u>	<u>12,652,077</u>
Excess (deficiency) of revenue over expenses	<u>776,707</u>	<u>(755,710)</u>	<u>14,211</u>	<u>35,208</u>

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

The Kettle Friendship Society
Statement of changes in fund balances
Year ended March 31, 2020

	Operating Fund	Capital Fund	Replacement Reserve Fund	2020 Total	2019 Total
Notes	\$	\$	\$	\$	\$
Balance, beginning of year	25,727	11,630,517	819,743	12,475,987	12,440,779
Excess of revenue over expenses	489,963	(766,815)	2,436	(274,416)	35,208
Property and equipment acquired	(59,280)	59,280	—	—	—
Mortgage principal repayments	(700,736)	700,736	—	—	—
Balance, end of year	(244,326)	11,623,718	822,179	12,201,571	12,475,987

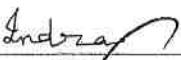
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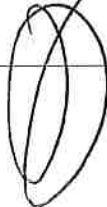
The Kettle Friendship Society
Statement of financial position
As at March 31, 2020

	Notes	Operating Fund	Capital Fund	Replacement Reserve Fund	2020 Total	2019 Total
		\$	\$	\$	\$	\$
Assets						
Current assets						
Cash		1,823,290	—	822,179	2,645,469	3,039,180
Accounts receivable		215,947	—	—	215,947	99,136
Goods and Services Tax		26,458	—	—	26,458	22,850
Prepaid expenses		73,624	—	—	73,624	119,694
Interfund advances		—	235,766	—	—	—
		<u>2,139,319</u>	<u>235,766</u>	<u>822,179</u>	<u>2,961,498</u>	<u>3,280,860</u>
Prepaid land leases	5	—	421,352	—	421,352	433,390
Property and equipment	6	—	42,894,797	—	42,894,797	43,590,295
		<u>2,139,319</u>	<u>43,551,915</u>	<u>822,179</u>	<u>46,277,647</u>	<u>47,304,545</u>
Liabilities						
Current liabilities						
Accounts payable and accruals		252,405	—	—	252,405	279,107
Government remittances payable		58,350	—	—	58,350	53,297
Salaries, wages and benefits payable		639,575	—	—	639,575	471,203
Deferred revenue	7	1,197,549	—	—	1,197,549	1,396,017
Current portion of long-term debt	8	—	2,142,104	—	2,142,104	2,168,798
Interfund advances		235,766	—	—	—	—
		<u>2,383,645</u>	<u>2,142,104</u>	<u>—</u>	<u>4,289,983</u>	<u>4,368,422</u>
Long-term debt	8	—	29,786,093	—	29,786,093	30,460,136
		<u>2,383,645</u>	<u>31,928,197</u>	<u>—</u>	<u>34,076,076</u>	<u>34,828,558</u>
Commitments	12 (a)					
Contingent liability	12 (b)					
Fund balances						
Invested in property and equipment		—	11,623,718	—	11,623,718	11,630,517
Replacement reserve	9	—	—	822,179	822,179	819,743
Unrestricted	15	(244,326)	—	—	(244,326)	25,727
		<u>(244,326)</u>	<u>11,623,718</u>	<u>822,179</u>	<u>12,201,571</u>	<u>12,475,987</u>
		<u>2,139,319</u>	<u>43,551,915</u>	<u>822,179</u>	<u>46,277,647</u>	<u>47,304,545</u>

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

Approved on behalf of The Kettle Friendship Society

 _____, Director

 _____, Director

The Kettle Friendship Society
Statement of cash flows
Year ended March 31, 2020

	2020	2019
	\$	\$
Operating activities		
(Deficiency) excess of revenues over expenses	(274,416)	35,208
Amortization expense	766,815	755,710
	<u>492,399</u>	<u>790,918</u>
Changes in non-cash working capital accounts		
Accounts receivable	(116,811)	23,479
Goods and Services Tax	(3,608)	(8,642)
Prepaid expenses	46,070	(77,025)
Accounts payable and accruals	(26,702)	18,942
Government remittances payable	5,053	208,940
Salaries, wages and benefits payable	168,372	(125,519)
Deferred revenue	(198,468)	113,516
	<u>366,305</u>	<u>944,609</u>
Investing activity		
Property and equipment acquired	(59,280)	(74,440)
	<u>(59,280)</u>	<u>(74,440)</u>
Financing activity		
Long-term debt principal repayments	(700,736)	(684,967)
	<u>(700,736)</u>	<u>(684,967)</u>
Net (decrease) increase in cash	(393,711)	185,202
Cash, beginning of year	3,039,180	2,853,978
Cash, end of year	<u>2,645,469</u>	<u>3,039,180</u>

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

The Kettle Friendship Society
Notes to the financial statements

March 31, 2020

1. Organization and mission

The Kettle Friendship Society (the "Society") is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act. Its mission is to enhance the quality of life for individuals living with mental illness.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), and reflect the following significant accounting policies.

(a) Fund accounting

Revenues and expenses related to programs and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to property and equipment.

The Replacement Reserve Fund reports the assets, liabilities, revenues and expenses related to the reserves for replacement of housing in accordance with the agreements with the BC Housing Management Commission.

(b) Property and equipment

Purchased property and equipment are recorded in the Capital Fund at cost or deemed cost. Contributed property and equipment are recorded in the Capital Fund at fair value at the date of contribution. Amortization is charged to the Capital Fund on a straight-line basis over the expected useful lives of the assets at the following rates:

Buildings – leased	60 years
Buildings – owned	20 and 40 years
Computer software	5 years
Furniture and computer equipment	5 years
Vehicles	10 years

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

(c) Prepaid land leases

Prepaid land leases are amortized over the 60 year period of the leases on a straight line basis.

(d) Use of estimates

The preparation of these financial statements in accordance with ASNPO requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes during the reporting period. Key components of the financial statements requiring management to make estimates include the useful lives and potential impairment of property and equipment, fair values of contributed assets and accrued liabilities and related expenses. Actual amounts could differ from these estimates.

The Kettle Friendship Society
Notes to the financial statements

March 31, 2020

2. Significant accounting policies (continued)

(e) Revenue recognition

The Society follows the restricted fund method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the revenue is received or receivable. Restricted contributions received for which a separate fund is not established are recognized in revenue in the operating fund in the period the related expenses are incurred. Unrestricted contributions are recognized as revenue of the operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rent revenue is recognized on a straight-line basis over the period of the lease.

User fees and memberships, tenant contributions, program rent and recoveries, and sponsorship and event income are recognized when an arrangement exists, services are provided, the price is fixed or determinable and collection is reasonably assured. Interest and endowment income are recognized in the period earned.

The Society does not recognize contributed materials and services in the financial statements.

(f) Forgivable loans

Forgivable loans from governments or government organizations are treated as grant revenue when there is reasonable assurance that the Society will meet the terms for forgiveness of the loan. The Society applies its revenue recognition policies to account for these grant revenues.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for marketable securities which are measured at fair value at the date of the statement of financial position.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Society recognizes in the statement of operations an impairment loss, if any, when 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 event occurs.

3. Adoption of new and revised accounting standards for not-for-profit organizations ("ASNPO")

New and revised ASNPO adopted in 2019

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 April 1, 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 property and equipment held at April 1, 2019 and hence did not allocate the costs of property and equipment and related amortization to the component parts of property and equipment held at April 1, 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 April 1, 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.

4. Financial instruments

Credit risk

Credit risk is the risk that a counterparty will fail to perform its obligations. The Society's exposure to credit risk is indicated by the carrying amount of its cash and accounts receivable. The Society's cash is held with Canadian chartered banks. The Society assesses, on a continuing basis, its accounts receivable, and provides for any amounts that are uncollectible in an allowance for doubtful accounts.

Interest rate risk

Interest rate risk is the risk that the value of the Society's financial instruments will vary due to fluctuations in interest rates and the degree of volatility of these rates. The Society's principal financial instruments subject to interest rate risk are long-term debt. The interest rate associated with the long-term debt is fixed until the maturity date.

Liquidity risk

The Society's objective is to have sufficient liquidity to meet its liabilities when due. The Society monitors its cash balances and cash flows generated from operations to meet its requirements.

As at March 31, 2020, the most significant liabilities are accounts payable and accrued liabilities, salaries, wages and benefits payable, and long-term debt.

The Kettle Friendship Society
Notes to the financial statements

March 31, 2020

5. Prepaid land leases

Prepaid land leases includes three operating leases for land on which the leased buildings are located (Note 6). The prepaid land leases are amortized over the term of the leases of 60 years.

6. Property and equipment

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Building – owned	2,481,745	394,909	2,086,836	2,163,143
Computer software	24,763	12,383	12,380	17,333
Furniture and computer equipment	295,991	159,995	135,996	106,815
Land – owned	7,230,023	—	7,230,023	7,230,023
Vehicles	55,430	37,449	17,981	23,525
	10,087,952	604,736	9,483,216	9,540,839
Buildings – leased	37,916,435	4,504,854	33,411,581	34,049,456
	48,004,387	5,109,590	42,894,797	43,590,295

Buildings – leased includes prepaid capital leases with 60 year terms that are held by the Provincial Rental Housing Corporation, an agent of the BC Housing Management Commission. The lease for Friendship Court expires on May 31, 2055, the lease for Peggy's Place expires on July 27, 2055, and the lease for Kettle on Burrard expires on March 16, 2072.

The carrying value of land and buildings pledged as security is \$42,728,440. (\$43,442,622 in 2019).

7. Deferred revenue

Deferred revenue consists of restricted operating funding received in the current period that is related to the subsequent period.

	2019 \$	Funds received \$	Revenue recognized \$	2020 \$
BC – Gaming grants	125,029	125,083	125,098	125,014
BC Housing	352,232	3,833,832	3,840,806	345,258
Mental Health Legal Advocacy	7,858	285,000	252,552	40,306
Mental Health Outreach & Support Sponsorship	—	79,630	79,605	25
Other	48,312	150,941	130,322	68,931
SpencerCreo Foundation	45,000	45,000	45,000	45,000
Taylor Manor Fund Contribution	339,644	1,178,834	1,518,478	—
Vancouver Coastal Health Authority	458,764	4,669,756	4,574,683	553,837
Yaffa Housing	19,178	56,878	56,878	19,178
	1,396,017	10,424,954	10,623,422	1,197,549

The Kettle Friendship Society
Notes to the financial statements
March 31, 2020

7. Deferred revenue (continued)

	2018 \$	Funds received \$	Revenue recognized \$	Repayments \$	2019 \$
BC – Gaming grants	125,081	125,078	125,130	—	125,029
BC Housing	348,019	3,667,234	3,663,021	—	352,232
BC Ministry of Social Development and Social Innovation	108,450	—	—	108,450	—
Mental Health Outreach & Support Sponsorship	86,456	—	86,456	—	—
Other	21,637	68,321	41,646	—	48,312
SpencerCreo Foundation	45,000	45,000	45,000	—	45,000
Taylor Manor Fund Contribution	83,503	1,655,580	1,399,439	—	339,644
Vancouver Coastal Health Authority	447,652	4,560,672	4,549,560	—	458,764
Mental Health Legal Advocacy	3,944	180,000	176,086	—	7,858
Yaffa Housing	12,759	54,085	47,666	—	19,178
	<u>1,282,501</u>	<u>10,355,970</u>	<u>10,134,004</u>	<u>108,450</u>	<u>1,396,017</u>

8. Long-term debt

	2020 \$	2019 \$
Vancouver City Savings Credit Union, repayable at \$8,973 per month including interest at 3.50% per annum, secured by land and building on East Hastings Street and Venables Street, assignment of rents, and any insurance proceeds. The term matures November 30, 2020	1,467,904	1,514,300
Kettle on Burrard MCAP Financial Corporation, repayable at \$97,622 per month including interest at 2.95% per annum, secured by capital lease on land and building at 1134 Burrard Street. The term matures January 1, 2025	23,276,341	23,757,600
The Peggy's Place Program MCAP Financial Corporation, repayable at \$2,060 per month including interest at 2.62% per annum, secured by capital lease on land and building for Peggy's Place. The term matures May 1, 2027	253,026	270,902
The Friendship Court Program Peoples Trust Company, repayable at \$6,473 per month including interest at 3.84% per annum, secured by capital lease on land and building at East 8th Avenue. The term matures November 1, 2023	826,505	871,752
Garden Villa Peoples Trust Company, repayable at \$23,900 per month including interest at 2.89% per annum, secured by land and building at 800 McLean Drive. The term matures February 1, 2028	6,104,421	6,214,380
	31,928,197	32,628,934
Less: current portion	2,142,104	2,168,798
Long-term portion	29,786,093	30,460,136

The Kettle Friendship Society
Notes to the financial statements
 March 31, 2020

8. Long-term debt (continued)

The estimated principal repayments in future years are as follows:

	\$
2021	2,142,103
2022	694,400
2023	715,300
2024	737,400
2025	759,300
Thereafter	26,879,694
	<u>31,928,197</u>

9. Replacement reserves

	Kettle On Burrard \$	Peggy's Place \$	Friendship Court \$	Garden Villa \$	Total \$
Balance, beginning of year	552,867	1,961	108,639	156,276	819,743
Funding and other revenues	116,049	5,600	14,032	13,680	149,361
Interest earned	555	1	109	157	822
Bank charges	(20)	(20)	(20)	(20)	(80)
Replacement expenses	(27,324)	(4,356)	(6,455)	(109,532)	(147,667)
Balance, end of year	<u>642,127</u>	<u>3,186</u>	<u>116,305</u>	<u>60,561</u>	<u>822,179</u>

The transfers to the replacement reserves for the housing programs are set annually by the BC Housing Management Commission.

10. Endowment fund

The Vancouver Foundation holds an endowment fund for the Society. The contributed amount is \$101,000 and the market value is \$222,610 (\$101,000 and \$244,612, respectively, in 2019). Income generated by the fund is paid to the Society every three months.

11. Operating loan

The Society has a line of credit available to a maximum of \$100,000 requiring monthly interest-only payments at prime plus 1.75% per annum. As at March 31, 2020, the balance outstanding on the line of credit is nil (nil as at March 31, 2019).

12. Commitments and contingent liability

(a) The Society has the following minimum commitments for its operating leases for the next five years:

	\$
2021	40,276
2022	34,790
2023	16,442
2024	2,196
2025	2,196
Thereafter	2,196
	<u>98,096</u>

(b) The Society is required to comply with various conditions under a forgivable mortgage agreement in the principal amount of \$1,000,000. The conditions include compliance with the terms of the mortgage agreement and operating and managing the property in accordance with a capital lease agreement and an operating agreement. In the event that the Society is in default with the conditions, the mortgage may be required to be repaid on demand, together with interest at the rate of prime plus 2% per annum. The mortgage is secured by the land.

13. Economic dependence

The Kettle Friendship Society receives 66% (67% in 2019) of its revenue from local, provincial and federal governments.

14. Salaries, wages and benefits

Eleven (eight in 2019) employees have received remuneration in excess of \$75,000 during the fiscal year. The payments to these employees were \$993,961 (\$752,493 in 2019) in aggregate for the year.

15. Unrestricted fund balance

Included in the unrestricted fund balance is a deficit of \$210,923 related to the programs of the Society. We refer you to the schedules of program operations for the year ended March 31, 2020 and the Notice to Reader report thereon.

The Kettle Friendship Society

Schedule 1 – Summary schedule of program operations – Operating Fund

Year ended March 31, 2020

	Vancouver Coastal Health Authority	Other revenue	Total revenue	Total expenses	Excess (deficiency) for the year
	\$	\$	\$	\$	\$
Funded programs					
Rent Supplement 46905 and 46906 CLS	—	160,404	160,404	158,134	2,270
Peggy's Place	814,847	116,791	931,638	829,151	102,487
Friendship Court (BCHMC)	—	190,026	190,026	131,921	58,105
Kettle on Burrard	—	3,663,333	3,663,333	2,946,248	717,085
Homeless Outreach Program and ID Bank	—	230,092	230,092	187,348	42,744
Garden Villa	—	438,513	438,513	320,869	117,644
Drop-in Centre	982,191	248,431	1,230,622	1,123,552	107,070
CLS, SIL, SuperSIL	1,772,083	442,741	2,214,824	1,869,156	345,668
Friendship Court Enhanced (VCHA)	495,837	26,220	522,057	472,057	50,000
Triumph Apartments (VCHA)	473,074	13,600	486,674	443,160	43,514
Mental Health Legal Advocacy	—	252,552	252,552	207,743	44,809
Skills, Employment and Esteem Development	36,651	221,172	257,823	227,652	30,171
Yaffa Housing	—	56,878	56,878	52,000	4,878
Taylor Manor	—	1,848,880	1,848,880	1,737,734	111,146
Mental Health Outreach and Support	—	117,105	117,105	97,105	20,000
	4,574,683	8,026,738	12,601,421	10,803,830	1,797,591
Unrestricted					
Society Fund	—	449,347	449,347	1,756,975	(1,307,628)
	4,574,683	8,476,085	13,050,768	12,560,805	489,963

