
Financial statements of
The Kettle Friendship Society

March 31, 2019

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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, 2019, 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("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.

Emphasis of Matter – Restated Comparative Information

We draw attention to note 2 to the financial statements which explains that certain comparative information presented for the year ended March 31, 2018 has been restated. The financial statements of the Society for the year ended March 31, 2018 (prior to the restatement described in Note 2 to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on June 14, 2018. Our opinion is not modified in respect of this matter.

As part of our audit of the financial statements of the Society for the year ended March 31, 2019, we also audited the adjustments described in Note 2 that were applied to restate the comparative information for the year ended March 31, 2018. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements of the Society for the year ended March 31, 2018. Accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended March 31, 2018 taken as a whole.

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 20, 2019
Vancouver, British Columbia

The Kettle Friendship Society
Statement of operations
Year ended March 31, 2019

	Operating Fund (Schedule 1)	Capital Fund	Replacement Reserve Fund	2019 Total
Notes	\$	\$	\$	\$
Revenue				
Vancouver Coastal Health Authority	4,549,560	—	—	4,549,560
BC Housing Management Commission (BCHMC)	3,528,137	—	134,884	3,663,021
Rent	1,497,425	—	—	1,497,425
Designated donations	1,399,439	—	—	1,399,439
Grants	262,542	—	—	262,542
Donations	351,331	—	—	351,331
User fees and memberships	169,821	—	—	169,821
Tenant contributions	195,235	—	—	195,235
Program rent and recoveries	55,644	—	15,969	71,613
BC Gaming Commission	125,130	—	—	125,130
City of Vancouver	155,145	—	—	155,145
Sponsorship and event income	111,366	—	—	111,366
Other	76,217	—	—	76,217
Vancouver Yaffa Housing Society	47,666	—	—	47,666
Endowment income	9,331	—	—	9,331
Interest earned	1,636	—	807	2,443
	12,535,625	—	151,660	12,687,285
Expenses				
Advertising	25,536	—	—	25,536
Allowances to clients	118,852	—	—	118,852
Amortization	—	755,710	—	755,710
Bank charges	6,186	—	70	6,256
Board of Directors	5,312	—	—	5,312
Consulting	45,046	—	—	45,046
Food	277,614	—	—	277,614
Fundraising	83,291	—	—	83,291
Housing rent	1,201,800	—	—	1,201,800
Insurance	111,706	—	—	111,706
Interest on long-term debt	931,533	—	—	931,533
Legal	7,442	—	—	7,442
Maintenance and supplies	249,177	—	137,379	386,556
Medical supplies	1,627	—	—	1,627
Office administration and miscellaneous	129,166	—	—	129,166
Payroll service costs	35,771	—	—	35,771
Pest control	14,246	—	—	14,246
Professional fees	43,325	—	—	43,325
Program supplies	184,911	—	—	184,911
Property taxes	72,165	—	—	72,165
Rent	5,047	—	—	5,047
Salaries, wages and benefits	7,264,647	—	—	7,264,647
Service contracts	184,744	—	—	184,744
Staff development	56,087	—	—	56,087
Tenant damage	20,046	—	—	20,046
Tenant utilities	6,532	—	—	6,532
Telephone	97,122	—	—	97,122
Travel	49,835	—	—	49,835
Utilities	514,582	—	—	514,582
Volunteers	15,570	—	—	15,570
	11,758,918	755,710	137,449	12,652,077
Excess of revenue over expenses	776,707	(755,710)	14,211	35,208

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

The Kettle Friendship Society
Statement of operations (continued)
Year ended March 31, 2019

		Operating	Capital	Replacement	2018
	Notes	Fund	Fund	Reserve Fund	Total
		\$	\$	\$	\$
					(Restated) (Note 2)
Revenue					
Vancouver Coastal Health Authority		4,618,909	—	—	4,618,909
BC Housing Management Commission (BCHMC)		3,148,728	11,518	262,785	3,423,031
Rent		1,511,552	—	—	1,511,552
Designated donations		1,298,531	—	—	1,298,531
Grants		272,589	—	—	272,589
Donations		438,837	—	—	438,837
User fees and memberships		207,986	—	—	207,986
Tenant contributions		188,149	—	—	188,149
Program rent and recoveries		163,613	—	—	163,613
BC Gaming Commission		125,041	—	—	125,041
City of Vancouver		128,751	—	—	128,751
Sponsorship and event income		68,670	—	—	68,670
Other		54,189	—	—	54,189
Vancouver Yaffa Housing Society		49,983	—	—	49,983
Endowment income	10	8,737	—	—	8,737
Interest earned		1,612	—	543	2,155
		<u>12,285,877</u>	<u>11,518</u>	<u>263,328</u>	<u>12,560,723</u>
Expenses					
Advertising		20,659	—	—	20,659
Allowances to clients		105,685	—	—	105,685
Amortization		—	709,521	—	709,521
Bank charges		7,537	—	40	7,577
Board of Directors		18,664	—	—	18,664
Consulting		23,943	—	—	23,943
Food		318,087	—	—	318,087
Fundraising		44,775	—	—	44,775
Housing rent		1,281,950	—	—	1,281,950
Insurance		103,391	—	—	103,391
Interest on long-term debt		818,361	—	—	818,361
Legal		11,204	—	—	11,204
Maintenance and supplies		269,155	—	52,085	321,240
Medical supplies		1,057	—	—	1,057
Office administration and miscellaneous		150,632	—	—	150,632
Organization management costs		33,267	—	—	33,267
Payroll service costs		30,617	—	—	30,617
Pest control		13,349	—	—	13,349
Professional fees		43,368	—	—	43,368
Program supplies		211,245	—	—	211,245
Property taxes		54,318	—	—	54,318
Rent		108,290	—	—	108,290
Salaries, wages and benefits	14	6,979,484	—	—	6,979,484
Service contracts		149,985	—	—	149,985
Staff development		11,809	—	—	11,809
Tenant damage		60,921	—	—	60,921
Tenant utilities		6,306	—	—	6,306
Telephone		103,483	—	—	103,483
Travel		51,079	—	—	51,079
Utilities		462,734	—	—	462,734
Volunteers		25,662	—	—	25,662
		<u>11,521,017</u>	<u>709,521</u>	<u>52,125</u>	<u>12,282,663</u>
Excess of revenue over expenses		<u>764,860</u>	<u>(698,003)</u>	<u>211,203</u>	<u>278,060</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, 2019

		2019			2018	
	Notes	Operating Fund	Capital Fund	Replacement Reserve Fund	Total	
		\$	\$	\$	\$	
					(Restated) (Note 2)	
Balance, beginning of year, as previously stated		201,783	2,134,080	805,532	3,141,395	2,631,748
Correction of error related to deferred capital contributions	2	—	8,492,741	—	8,492,741	8,625,168
Correction of error related to forgivable loan	2	—	1,000,000	—	1,000,000	1,000,000
Correction of error related to restricted funds in Operating Fund	2	(193,357)	—	—	(193,357)	(94,197)
Balance, beginning of year, as restated	2	8,426	11,626,821	805,532	12,440,779	12,162,719
Excess of revenue over expenses	2	776,707	(755,710)	14,211	35,208	278,060
Property and equipment acquired		(74,440)	74,440	—	—	—
Mortgage principal repayments		(684,966)	684,966	—	—	—
Balance, end of year		25,727	11,630,517	819,743	12,475,987	12,440,779

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

The Kettle Friendship Society
Statement of financial position
As at March 31, 2019

		2019			2018
	Notes	Operating Fund	Capital Fund	Replacement Reserve Fund	Total
		\$	\$	\$	\$
					(Restated) (Note 2)
Assets					
Current assets					
Cash		2,218,837	—	820,343	3,039,180
Accounts receivable		99,136	—	—	99,136
Goods and Services Tax		22,850	—	—	22,850
Prepaid expenses		119,694	—	—	119,694
Interfund advances		600	235,766	—	—
		2,461,117	235,766	820,343	3,280,860
Prepaid land leases	6	—	433,390	—	433,390
Property and equipment	5	—	43,590,295	—	43,590,295
		2,461,117	44,259,451	820,343	47,304,545
Liabilities					
Current liabilities					
Accounts payable and accruals		279,107	—	—	279,107
Salaries, wages and benefits payable		524,500	—	—	524,500
Deferred revenue	7	1,396,017	—	—	1,396,017
Current portion of long-term debt	8	—	2,168,798	—	2,168,798
Interfund advances		235,766	—	600	—
		2,435,390	2,168,798	600	4,368,422
Long-term debt	8	—	30,460,136	—	30,460,136
		2,435,390	32,628,934	600	34,828,558
Commitments	12 (a)				
Contingent liability	12 (b)				
Fund balances					
Invested in property and equipment		—	11,630,517	—	11,630,517
Replacement reserve	9	—	—	819,743	819,743
Unrestricted		25,727	—	—	25,727
		25,727	11,630,517	819,743	12,475,987
		2,461,117	44,259,451	820,343	47,304,545

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, 2019

	2019 \$	2018 \$ (Restated) (Note 2)
Operating activities		
Excess of revenues over expenses	35,208	278,060
Amortization expense	755,710	709,521
	790,918	987,581
Changes in non-cash working capital accounts		
Accounts receivable	23,479	(21,394)
Goods and Services Tax	(8,642)	(51)
Prepaid expenses	(77,025)	(10,595)
Accounts payable and accruals	18,942	46,548
Salaries, wages and benefits payable	83,421	(46,694)
Deferred revenue	113,516	138,568
	944,609	1,093,963
Investing activity		
Property and equipment acquired	(74,440)	(6,411,554)
Financing activities		
Long-term debt principal repayments	(684,967)	(579,732)
Long-term debt proceeds	—	6,330,000
	(684,967)	5,750,268
Net increase in cash	185,202	432,677
Cash, beginning of year	2,853,978	2,421,301
Cash, end of year	3,039,180	2,853,978

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

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. Correction of errors

(a) During the year ended March 31, 2019, the Society determined that, in the financial statements for years ended on or prior to March 31, 2018, it had not presented the Capital Fund and Replacement Reserve Fund, and the total revenues and expenses for those funds, in the statement of operations in accordance with the requirements of Canadian accounting standards for not-for-profit organizations. To correct the error, the Society has restated the financial statements for year ended March 31, 2018 to present the Capital Fund and Replacement Reserve Fund in the statement of operations and has reallocated amortization expense, interest earned, bank charges, reserve fund transfer for Garden Villa, and replacement expenses from the statement of changes in fund balances to the statement of operations.

(b) During the year ended March 31, 2019, the Society determined that it had incorrectly accounted for capital funding and a forgivable loan received during the year ended March 31, 2012 from BC Housing Management Commission ("BCHMC") for the acquisition and construction of land and a building at 1134 Burrard Street, Vancouver, and capital funding received in subsequent years.

(i) *Capital contribution*

Since the Society follows the restricted fund method of accounting for contributions, the Society should have recognized capital contributions as revenue in the Capital Fund in the year the contributions were received or receivable. Instead, capital contributions were deferred and amortized to revenue over the 60 year lease term of the buildings. The Society has recorded an adjustment to correct this prior period error and has restated the 2018 comparative financial information.

(ii) *Forgivable interest free loan (the "forgivable loan")*

Based on the terms of the agreement between the Society and BCHMC, the forgivable loan should have recognized as revenue in the year it was received. Instead, the forgivable loan was recognized as long-term debt. The Society has recorded an adjustment to correct this prior period error and has restated the 2018 financial statements.

(c) During the year ended March 31, 2019, the Society determined that it had incorrectly classified two prepaid land leases as property and equipment. The property and equipment balance as at March 31, 2018 has been reduced by \$445,428, the carrying value of the land leases as at March 31, 2018, and an asset, Prepaid land leases, has been recognized in the same amount.

(d) During the year ended March 31, 2019, the Society determined that it had incorrectly recognized unspent restricted program contributions in the Operating Fund in prior years. Canadian accounting standards for not-for-profit organizations require that restricted contributions are accounted for using the deferral method when they are recorded in the Operating Fund. The Society has reallocated restricted program surpluses from the Restricted fund balance to deferred revenues and restricted program deficits to unrestricted revenues as at April 1, 2018 and for year ended March 31, 2018.

2. Correction of errors (continued)

(e) During the year ended March 31, 2018, the Society recognized organizational fee revenues and organizational management costs in the amounts of \$1,077,487 and \$1,110,754, respectively. These amounts relate to the Society's inter-program charges. The Society has recorded an adjustment to correct this error derecognizing these revenues and expenses in the amount of \$1,077,487.

The following table outlines the impact of the changes in paragraphs (a) to (e) on the financial statements as at and for the year ended March 31, 2018:

	As previously reported	Increase (decrease)	Restated
	\$	\$	\$
Revenues, expenses and fund balances			
BC Housing Management Commission	3,247,888	175,143	3,423,031
Interest earned - replacement reserve fund	—	543	543
Organizational fee revenues	1,077,487	(1,077,487)	—
Amortization	—	709,521	709,521
Bank charges	7,537	40	7,577
Maintenance and supplies	269,155	52,085	321,240
Organizational management costs	1,110,754	(1,077,487)	33,267
Excess of revenue over expenses	864,020	(585,960)	278,060
Fund balances at beginning of year	2,631,748	9,530,971	12,162,719
Other changes in fund balances			
Amortization of deferred capital contributions	143,945	(143,945)	—
Amortization	(709,521)	709,521	—
Interest earned	543	(543)	—
Bank charges	(40)	40	—
Reserve fund transfer for Garden Villa	262,785	(262,785)	—
Replacement expenses	(52,085)	52,085	—
Fund balances at end of year	<u>3,141,395</u>	<u>9,299,384</u>	<u>12,440,779</u>
Assets, liabilities and fund balances			
Property and equipment	44,704,955	(445,428)	44,259,527
Prepaid land leases	—	445,428	445,428
Long-term debt	34,313,900	(1,000,000)	33,313,900
Deferred revenues	1,089,144	193,357	1,282,501
Deferred capital contributions	8,492,741	(8,492,741)	—
Invested in property and equipment	<u>2,134,076</u>	<u>9,492,745</u>	<u>11,626,821</u>
Cash flows			
Cash flows from operating activities	1,134,530	(40,567)	1,093,963
Cash flows from financing and investing activities	(701,853)	701,853	—
Cash flows used in investing activity	—	(6,411,554)	(6,411,554)
Cash flows from financing activities	<u>—</u>	<u>5,750,268</u>	<u>5,750,268</u>

3. 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 (other than those reported in the Restricted Program Fund) and administrative activities are reported in the Operating Fund.

Restricted program contributions and related expenses are reported in the Restricted Program 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
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.

3. 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 period the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate 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 shall be reversed in the statement of operations in the period the reversal event occurs.

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, 2019, the most significant liabilities are accounts payable and accrued liabilities, and long-term debt.

5. Property and equipment

	Cost \$	Accumulated amortization \$	2019 Net book value \$	2018 Net book value \$
				(Restated) (Note 2)
Building – owned	2,481,745	318,602	2,163,143	2,239,450
Furniture and computer equipment	243,350	119,202	124,148	84,723
Land – owned	7,230,023	—	7,230,023	7,230,023
Vehicles	55,430	31,905	23,525	29,068
	10,010,548	469,709	9,540,839	9,583,264
Buildings – leased	37,916,435	3,866,979	34,049,456	34,676,263
	47,926,983	4,336,688	43,590,295	44,259,527

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 \$43,442,622 (\$44,145,736 in 2018).

6. Prepaid land leases

Prepaid land leases includes three operating leases for land on which the leased buildings are located (Note 5). The prepaid land leases are amortized over the term of the leases of 60 years.

The Kettle Friendship Society
Notes to the financial statements
 March 31, 2019

7. Deferred revenue

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

	2018	Funds received	Revenue recognized	Repayments	2019
	\$	\$	\$	\$	\$
(Restated) (Note 2)					
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
	1,282,501	10,355,970	10,134,004	108,450	1,396,017

The Kettle Friendship Society
Notes to the financial statements
 March 31, 2019

8. Long-term debt

	2019	2018
	\$	\$
		(Restated) (Note 2)
The Society Fund		
Vancouver City Savings Credit Union, repayable at \$10,952 per month including interest at 5.95% 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, 2019	1,514,300	1,563,949
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	23,757,600	24,225,087
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	270,902	288,319
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	871,752	915,311
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	6,214,380	6,321,234
	32,628,934	33,313,900
Less: current portion	2,168,798	2,199,349
Long-term portion	30,460,136	31,114,551

The estimated principal repayments in future years are as follows:

	\$
2020	2,168,798
2021	674,200
2022	694,400
2023	715,300
2024	737,400
Thereafter	27,638,836
	<u>32,628,934</u>

9. Replacement reserves

	Kettle On Burrard \$	Peggy's Place \$	Friendship Court \$	Garden Villa \$	Total \$
Balance, beginning of year	448,692	1,949	102,810	252,081	805,532
Transfer from operating fund	116,049	5,600	15,524	13,680	150,853
Interest earned	450	1	105	251	807
Bank charges	(10)	(20)	(20)	(20)	(70)
Replacement expenses	(12,314)	(5,569)	(9,780)	(109,716)	(137,379)
Balance, end of year	<u>552,867</u>	<u>1,961</u>	<u>108,639</u>	<u>156,276</u>	<u>819,743</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 \$244,612 (\$101,000 and \$240,558, respectively, in 2018). 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, 2019, the balance outstanding on the line of credit is \$Nil (\$Nil as at March 31, 2018).

12. Commitments and contingent liability

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

	\$
2020	37,215
2021	37,215
2022	31,730
2023	14,147
2024	2,196
Thereafter	<u>2,196</u>
	<u>124,699</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 67% (65% in 2018) of its revenue from local, provincial and federal governments.

14. Salaries, wages and benefits

Eight (seven in 2018) employees have received remuneration in excess of \$75,000 during the fiscal period. The payments to these employees are \$752,493 (\$650,192 in 2018) in aggregate.

15. Comparative figures

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

The Kettle Friendship Society

Schedule 1 – Summary schedule of program operations – Operating Fund

Year ended March 31, 2019

	Vancouver Coastal Health Authority	Other revenue	Total revenue	Total expenses	Excess (deficiency) for the year
	\$	\$	\$	\$	\$
Funded programs					
Camille House (BCHMC)	—	3,040	3,040	1,463	1,577
Rent Supplement 46905 and 46906 CLS	—	154,880	154,880	152,433	2,447
Peggy's Place	744,546	90,853	835,399	735,758	99,641
Friendship Court (BCHMC)	—	182,345	182,345	130,794	51,551
Kettle on Burrard - Start-up Kettle on Burrard	—	3,529,609	3,529,609	2,722,548	807,061
Homeless Outreach Program and ID Bank	—	191,827	191,827	177,547	14,280
Garden Villa	—	418,660	418,660	313,800	104,860
Drop-in Centre	906,311	241,413	1,147,724	1,026,597	121,127
Camille House (VCHA)	255,372	74,193	329,565	289,587	39,978
CLS, SIL, SuperSIL	1,788,146	469,153	2,257,299	1,881,869	375,430
Friendship Court Enhanced (VCHA)	418,961	27,120	446,081	413,789	32,292
Triumph Apartments (VCHA)	401,516	14,765	416,281	390,370	25,911
Mental Health Legal Advocacy Skills, Employment and Esteem Development	—	176,086	176,086	153,685	22,401
Yaffa Housing	34,708	192,335	227,043	191,291	35,752
Taylor Manor	—	47,666	47,666	41,666	6,000
Mental Health Outreach and Support	—	1,752,966	1,752,966	1,569,583	183,383
	—	129,297	129,297	115,647	13,650
	4,549,560	7,696,208	12,245,768	10,308,427	1,937,341
Unrestricted					
Society Fund	—	289,857	289,857	1,450,491	(1,160,634)
	4,549,560	7,986,065	12,535,625	11,758,918	776,707