
**RAINCITY HOUSING AND SUPPORT SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2019**



INDEPENDENT AUDITORS' REPORT

To the Members of RainCity Housing and Support Society

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of RainCity Housing and Support Society (the "Society"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation revenue was limited to the amounts recorded in the records of the Society and we were unable to determine whether any adjustments might be necessary to donation revenue, deficiency of revenue over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, total assets as at March 31, 2019 and 2018, and net assets at both the beginning and end of the March 31, 2019 and 2018 years. In addition, the Society amortizes the cost of its Triage building funded by the British Columbia Housing Management Commission at an annual amount equivalent to the principal reduction of the mortgage payable during the year. In this respect the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The effects of this departure from Canadian accounting standards for not-for-profit organizations have not been determined. Our audit opinion on the financial statements for the year ended March 31, 2018 also contained a qualification because of these matters.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.



INDEPENDENT AUDITORS' REPORT

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

Auditors' 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 the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.

INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the Society's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis, with the previous year.

Manning Elliott LLP


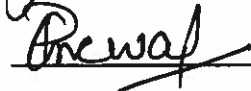
Chartered Professional Accountants

Vancouver, British Columbia

June 27, 2019

RAINCITY HOUSING AND SUPPORT SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31 2019

| | 2019 | 2018 |
|--|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and equivalents | \$ 4,301,776 | \$ 3,995,675 |
| Accounts receivable | 189,057 | 560,674 |
| Prepaid expenses and inventory | 143,228 | 109,785 |
| | 4,634,061 | 4,666,134 |
| RESTRICTED CASH AND INVESTMENTS (Note 3) | 1,757,908 | 1,606,633 |
| CAPITAL ASSETS (Note 4) | 58,288,236 | 60,417,512 |
| | \$ 64,680,205 | \$ 66,690,279 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 665,968 | \$ 605,244 |
| Wages payable | 1,057,153 | 831,899 |
| Government remittances payable | 42,090 | 207,190 |
| Tenant deposits | 36,383 | 36,383 |
| Deferred revenue | 3,586,725 | 3,239,494 |
| Debt due within one year (Note 5) | - | 2,080,006 |
| Scheduled cash repayments of long-term debt (Note 5) | 847,378 | 762,407 |
| | 6,235,697 | 7,762,623 |
| LONG-TERM DEBT (Note 5) | 33,301,476 | 32,125,768 |
| FORGIVABLE LOANS (Note 6) | 15,359,638 | 15,878,261 |
| DEFERRED CAPITAL CONTRIBUTIONS (Note 7) | 9,705,127 | 10,097,959 |
| | 64,601,938 | 65,864,611 |
| OPERATING LEASE COMMITMENTS (Note 12) | | |
| NET ASSETS | | |
| UNRESTRICTED | | |
| Operating Funds | (2,876,955) | (2,249,387) |
| Society Fund | 593,479 | 788,084 |
| RESTRICTED | | |
| Capital Asset Fund | 853,257 | 923,163 |
| Replacement Reserve Fund | 1,508,486 | 1,363,808 |
| | 78,267 | 825,668 |
| | \$ 64,680,205 | \$ 66,290,279 |

 Director
 Director

RAINCITY HOUSING AND SUPPORT SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31 2019

| | Operating Funds | Society Fund | Capital Asset Fund | Replacement Reserve Fund | 2019 | 2018 |
|--|--------------------|-----------------|-----------------------|--------------------------------|------------|--------------|
| NET ASSETS (DEFICIT), BEGINNING OF YEAR | \$ (2,249,387) | \$ 788,084 | \$ 923,163 | \$ 1,363,808 | \$ 825,668 | \$ 1,085,527 |
| (DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR | 649,550 | (194,605) | (1,227,985) | 25,639 | (747,401) | (259,859) |
| Repayment of long-term debt | (819,327) | - | 819,327 | - | - | - |
| Purchase of capital assets | (74,560) | - | 74,560 | - | - | - |
| Deferred capital contributions received | 27,109 | - | (27,109) | - | - | - |
| Forgivable loans received | 37,287 | - | (37,287) | - | - | - |
| INTERFUND TRANSFERS: | | | | | | |
| Transfer from Operating Funds to Capital Asset Fund (Note 1c) | (328,588) | - | 328,588 | - | - | - |
| Transfer from Replacement Reserve Fund (Note 8) | 164,770 | - | - | (164,770) | - | - |
| Transfer to Replacement Reserve Fund (Note 8) | (283,809) | - | - | 283,809 | - | - |
| NET ASSETS (DEFICIT), END OF YEAR | \$ (2,876,955) | \$ 593,479 | \$ 853,257 | \$ 1,508,486 | \$ 78,267 | \$ 825,668 |

RAINCITY HOUSING AND SUPPORT SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31 2019

| | 2019 | 2018 |
|--|---------------------|---------------------|
| REVENUE | | |
| British Columbia Housing Management Commission | \$ 13,848,420 | \$ 11,437,953 |
| Vancouver Coastal Health Authority | 8,280,154 | 7,533,327 |
| Rent | 2,615,156 | 2,411,669 |
| British Columbia Housing Management Commission Subsidy (Note 1c) | 1,335,192 | 1,335,192 |
| Fraser Health Authority | 1,202,273 | 1,037,163 |
| Start-up and organizational funding | 734,064 | 502,219 |
| Government of Canada (Note 10) | 592,494 | 879,368 |
| Amortization of forgivable loans (Note 6) | 555,910 | 555,910 |
| Amortization of deferred capital contributions (Note 7) | 419,941 | 411,681 |
| Donations (Note 9) | 263,766 | 236,581 |
| Interest and other | 168,875 | 161,550 |
| | 30,016,245 | 26,502,613 |
| EXPENSES | | |
| Wages and employee benefits (Note 11 and 13) | 20,319,120 | 18,318,531 |
| Amortization of capital assets | 2,203,836 | 2,101,641 |
| Maintenance and repairs | 1,428,622 | 939,967 |
| Food and supplies | 1,138,459 | 906,797 |
| Client engagements and peer workers | 1,114,926 | 647,821 |
| Mortgage interest | 1,000,579 | 1,017,099 |
| Utilities | 857,935 | 788,453 |
| IT maintenance | 275,806 | 146,613 |
| Garbage | 268,233 | 231,519 |
| Rent supplements | 267,100 | 214,955 |
| Travel | 251,681 | 202,495 |
| Start up cost for new shelters | 250,385 | 60,518 |
| Rent and property taxes | 239,048 | 172,873 |
| Office and miscellaneous | 176,414 | 170,788 |
| Janitorial supplies and linen | 160,828 | 160,839 |
| Telephone | 149,096 | 134,201 |
| Insurance | 138,459 | 109,605 |
| Resource development | 123,104 | 93,442 |
| Equipment and furniture | 121,714 | 93,207 |
| Pest control | 81,794 | 74,394 |
| Professional fees | 62,500 | 60,382 |
| Education and staff development | 61,792 | 89,833 |
| Consulting | 51,284 | 8,422 |
| Payroll and bank charges | 11,619 | 8,463 |
| Board | 9,312 | 9,347 |
| Security | - | 267 |
| | 30,763,646 | 26,762,472 |
| DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR | \$ (747,401) | \$ (259,859) |

RAINCITY HOUSING AND SUPPORT SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31 2019

| | 2019 | 2018 |
|--|--------------|--------------|
| CASH FROM (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Deficiency of revenue over expenses for the year | \$ (747,401) | \$ (259,859) |
| Items not involving cash: | | |
| Amortization of forgivable loans | (555,910) | (555,910) |
| Amortization of deferred capital contributions | (419,941) | (411,681) |
| Amortization of capital assets | 2,203,836 | 2,101,641 |
| | 480,584 | 874,191 |
| Change in non-cash working capital items: | | |
| Accounts receivable | 371,617 | (142,372) |
| Prepaid expenses and inventory | (33,443) | 58,096 |
| Accounts payable and accrued liabilities | 60,724 | (92,256) |
| Wages payable | 225,254 | 114,726 |
| Government remittances payable | (165,100) | (61,038) |
| Deferred revenue | 347,231 | 407,937 |
| | 1,286,867 | 1,159,284 |
| FINANCING ACTIVITIES | | |
| Deferred capital contributions received | 27,109 | 102,358 |
| Repayment of long-term debt | (819,327) | (790,886) |
| Forgivable loans received | 37,287 | 17,830 |
| | (754,931) | (670,698) |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets, net of disposals | (74,560) | (296,648) |
| Purchase of investments, net | (6,597) | (8,179) |
| | (81,157) | (304,827) |
| INCREASE IN CASH AND EQUIVALENTS DURING THE YEAR | 450,779 | 183,759 |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | 5,359,483 | 5,175,724 |
| CASH AND EQUIVALENTS, END OF YEAR | \$ 5,810,262 | \$ 5,359,483 |
| CASH AND EQUIVALENTS ARE COMPRISED OF: | | |
| Cash | \$ 4,301,776 | \$ 3,995,675 |
| Restricted cash (Note 3) | 1,508,486 | 1,363,808 |
| | \$ 5,810,262 | \$ 5,359,483 |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

NATURE OF OPERATIONS

The Society's mandate is to provide a continuum of housing and support opportunities for people with mental health, substance use and other challenges. The Society has a low barrier and housing first approach and currently runs around twenty programs covering emergency housing, transitional housing, women's housing, long-term housing, outreach programs, food services and community living support. The geographical area covers Vancouver, Sechelt, Coquitlam, Maple Ridge, Richmond, Surrey and Chilliwack.

In the summer of 2018, the Society became the operators of the newly renovated Jubilee building, located in Vancouver, providing 80 housing units. Planning took place during the year for the launch of three modular buildings in Sechelt, Chilliwack and Richmond, which will open in the spring and summer of 2019. The opioid crisis is still on-going, and in response, the Society continues to expand and develop its peer witnessing and harm reduction programs.

The Society launched its next five year strategic plan for 2019 – 2023. The strategic goals are:

- improve the psychological health and safety of the workplace
- develop and implement an agency-wide learning and development strategy
- develop and embed a culture of continuous improvement and collective accountability throughout the organization
- achieve a scalable and sustainable infrastructure to drive the ongoing operational and strategic goals of the organization
- partner with others in the community to influence system change as it relates to housing and supports for communities of people experiencing marginalization
- influence change in practice related to housing and supports for communities of people experiencing marginalization

The Society is a registered charity for the purposes of the Income Tax Act and is accordingly exempt from income taxes. The Society transitioned to the British Columbia Societies Act as of May 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook – Accounting, except as described in the following paragraph. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

In addition to following ASNPO, the Society must also comply with the basis of accounting required by British Columbia Housing Management Commission ("BCHMC"). The BCHMC basis of accounting differs materially from ASNPO because amortization is not provided on the Triage building over its estimated useful life, but rather at a rate equal to the annual principal reduction of the mortgage.

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred revenue represents operating funding received in the current period that is designated for the following period.

Deferred contributions represent restricted funding received in the current period that is related to a subsequent period. Included in deferred capital contributions are contributions that are restricted for the purchase of capital assets. These contributions will be amortized and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Investment income is recognized in the period the investment income is earned.

c) Presentation of net assets

The net assets of the Operating Funds relate to the Society's housing and client care activities.

The net assets of the Society Fund relate to the Society's fundraising and organizational management activities.

The net assets of the Replacement Reserve Fund relate to funds reserved for capital asset replacement and repair activities.

The net assets of the Capital Asset Fund represent the Society's investment in capital assets, which is calculated as capital assets, less scheduled cash repayments of long-term debt, less long-term debt, less forgivable loans, less deferred capital contributions (excluding the Stephen Brown Memorial Fund), plus the difference in the change of the Budzey building and Budzey debt, as described below.

The Budzey building is primarily funded through a mortgage with MCAP Financial Corporation and is amortized on a straight-line basis over its useful life of 35 years in accordance with accounting standards for not-for-profit organizations. Consequently, the amortization is significantly higher than the principal reduction of the related debt, causing the building to be drawn down at a higher rate than the debt, which is funded by Operating Funds. This difference is accounted for in the transfer of \$328,588 (2018 - \$356,597) from Operating Funds to the Capital Asset Fund and to ensure the Capital Asset Fund is not in a deficit position.

During the year, the Society received an operating subsidy of \$1,335,192 (2018 - \$1,335,192) from British Columbia Housing Management Commission to cover the mortgage costs of the Budzey building. A portion of this subsidy has been internally restricted and included within the transfer to account for the difference in the change in the Budzey building and Budzey debt.

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments

i) Measurement

The Society's financial instruments consist of cash and investments, accounts receivable, accounts payable, long-term debt, and forgivable loans.

The Society initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of financial instruments carried at fair value are recognized in the statement of operations.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any 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. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

e) Cash and equivalents

Cash and equivalents consist of cash on hand and highly liquid investments having a maturity of three months or less from the date of acquisition or which are convertible to cash on demand.

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Capital assets

Capital assets are recorded at cost and amortized annually on the declining balance basis as follows:

| | |
|---------------------------------|-----|
| Office equipment | 25% |
| Computer equipment and software | 30% |
| Furniture and fixtures | 20% |
| Automobiles | 30% |

Buildings:

- The Triage building was constructed on a land leasehold interest. The land leasehold interest is amortized on a straight-line basis over 59 years which commenced on March 31, 1994. The Triage building is amortized at a rate equal to the annual principal reduction of the mortgage as required by BCHMC.
- The Princess Rooms building is amortized on a straight-line basis over 13 years commencing on April 1, 2010. Improvements are amortized over the same useful life.
- The Vivian building is amortized on a straight-line basis over 26 years commencing April 1, 2011. Improvements are amortized on a straight-line basis over 30 years which commenced on April 1, 2007.
- The Fraser Street building is amortized on a straight-line basis over 35 years which commenced on April 1, 2007.
- The Lux building is amortized on a straight-line basis over 42 years which commenced on April 1, 2009.
- The Budzey building is amortized on a straight-line basis over 35 years which commenced on April 1, 2015.
- The leasehold improvements to the Maple Ridge building are amortized on a straight-line basis over 5 years based on the lease term, which commenced on July 10, 2017.

The Society monitors the recoverability of capital assets based on their long-term service potential. When a capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs recognized under this policy are not reversed. To March 31, 2019, no impairments have been recorded.

g) Replacement reserve

The replacement reserve represents an internally designated provision as well as provisions specified by BCHMC for capital asset replacement and equipment repairs and maintenance.

h) Forgivable loans

Forgivable loans used to acquire capital assets are accounted for in the same manner as contributions restricted for the same purpose, whereby revenue is recognized on the same basis as the amortization expense related to the acquired capital assets.

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Employee future benefits

The cost of employee future benefits earned by the Society's employees is disclosed in Note 11. Although the benefits have been earned under defined benefit plans, because they are multi-employer plans, sufficient information to follow the accounting standards on defined benefit plans is not available. Accordingly, the Society accounts for its employees' pension benefits by following accounting standards for defined contribution plans whereby the costs for the period are recognized as an expense.

j) Donated services and materials

The Society benefits greatly from donated services in the form of volunteer time, the value of which is not determinable. Donated services are consequently not recognized in these financial statements.

The Society records contributed materials at their fair value when fair value is readily determinable and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

k) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of, or during, the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable, the determination of the useful lives of assets used for calculating amortization, amortization of forgivable loans, deferred capital contributions, the amounts recorded as accrued liabilities and disclosures about contingencies and commitments at the date of the financial statements.

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

2. FINANCIAL INSTRUMENTS RISKS

The Society's financial instruments are described in Note 1(d). The following provides a measure of the Society's risk exposure as at March 31, 2019.

There has been no significant change to the risk exposure from the previous year.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to this risk mainly in respect of its accounts receivable. The Society maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations.

Liquidity risk:

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with liabilities. The Society's ability to meet obligations depends on the funding received by various organizations. The Society controls liquidity risk by managing its working capital and cash flows.

Market risk:

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

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk through the Society's investments and debt. The Society controls interest rate risk by being conscious of market rates when investing and obtaining debt.

Unless otherwise noted, it is management's opinion that the Society is not exposed to currency risk or other price risk arising from these financial instruments.

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments designated for specific purposes are segregated as follows:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Replacement Reserve Fund: | | |
| Restricted cash | \$ 1,508,486 | \$ 1,363,808 |
| Society Fund: | | |
| Long-term investments | 107,567 | 107,567 |
| Stephen Brown Memorial Fund (Vancouver Foundation) | 141,855 | 135,258 |
| | <u>\$ 1,757,908</u> | <u>\$ 1,606,633</u> |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

4. CAPITAL ASSETS

| | | | 2019 | 2018 |
|---------------------------------|----------------------|-----------------------------|----------------------|----------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Office equipment | \$ 18,516 | \$ 18,516 | \$ - | \$ - |
| Computer equipment and software | 392,756 | 148,279 | 244,477 | 315,167 |
| Furniture and fixtures | 16,069 | 14,089 | 1,980 | 2,475 |
| Automobiles | 246,176 | 177,119 | 69,057 | 76,655 |
| | <u>673,517</u> | <u>358,003</u> | <u>315,514</u> | <u>394,297</u> |
| Triage building: | | | | |
| Land leasehold interest | 412,500 | 181,791 | 230,709 | 237,701 |
| Building and improvements | 4,329,055 | 2,612,446 | 1,716,609 | 1,873,423 |
| | <u>4,741,555</u> | <u>2,794,237</u> | <u>1,947,318</u> | <u>2,111,124</u> |
| Princess Rooms: | | | | |
| Land | 651,313 | - | 651,313 | 651,313 |
| Building and improvements | 1,716,184 | 1,550,690 | 165,494 | 220,549 |
| | <u>2,367,497</u> | <u>1,550,690</u> | <u>816,807</u> | <u>871,862</u> |
| Vivian: | | | | |
| Land | 235,000 | - | 235,000 | 235,000 |
| Building | 2,291,000 | 704,922 | 1,586,078 | 1,674,194 |
| Building improvements | 1,397,112 | 558,840 | 838,272 | 884,842 |
| | <u>3,923,112</u> | <u>1,263,762</u> | <u>2,659,350</u> | <u>2,794,036</u> |
| Fraser Street: | | | | |
| Building | 6,561,922 | 2,227,147 | 4,334,775 | 4,480,968 |
| Lux: | | | | |
| Building | 21,906,020 | 5,194,512 | 16,711,508 | 17,230,938 |
| Budzey: | | | | |
| Building | 35,489,577 | 4,055,952 | 31,433,625 | 32,447,614 |
| Maple Ridge: | | | | |
| Leasehold improvements | 96,304 | 26,965 | 69,339 | 86,673 |
| | <u>\$ 75,759,504</u> | <u>\$ 17,471,268</u> | <u>\$ 58,288,236</u> | <u>\$ 60,417,512</u> |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

4. CAPITAL ASSETS (Continued)

Capital assets acquired during the year are as follows:

| | 2019 | 2018 |
|------------------------------------|------------------|-------------------|
| Fraser Street building | \$ 39,752 | \$ 18,261 |
| Automobiles | 20,512 | 25,722 |
| Computer equipment and software | 14,296 | 156,362 |
| Maple Ridge leasehold improvements | - | 96,304 |
| | <u>\$ 74,560</u> | <u>\$ 296,649</u> |

The Triage building was constructed in 1994 on a land leasehold interest.

The Princess Rooms land and building were acquired in 2001 through a contribution from the Government of Canada. In 2010, an additional contribution was received for building improvements.

The Vivian land and building were donated to the Society in February 2011 and recognized at their appraised value of \$2,526,000. Between 2007 and February 2011 the Society leased the premises. The Vivian building improvements relate to restoration costs incurred in 2007 during the Society's lease of the premises.

The land at Fraser Street has been leased from the City of Vancouver for a term of 60 years, commencing January 1, 2006, for total consideration of \$10.

The land at the Lux has been leased from the City of Vancouver for a term of 60 years, commencing March 30, 2007, for total consideration of \$10.

The land at the Budzey has been leased from the City of Vancouver for a term of 60 years, commencing November 1, 2012, for total consideration of \$10.

The building at Maple Ridge has been leased from Offwest Holdings Ltd. for a term of 5 years, commencing July 10, 2017. The leasehold improvements are amortized on a straight-line basis over the lease term.

Included within the Budzey building is the Society's office administrative space owned by the Society, representing a cost and accumulated amortization of \$2,594,288 and \$287,098, respectively (2018 - \$2,594,288 and \$216,119).

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

5. LONG-TERM DEBT

| | 2019 | 2018 |
|--|----------------------|----------------------|
| MCAP Financial Corporation mortgage, maturing August 1, 2025, bearing interest at 2.8% per annum, secured by property (Budzey), payable at \$119,641 per month, including interest | \$ 30,043,377 | \$ 30,633,780 |
| Canada Mortgage and Housing Corporation ("CMHC") mortgage, maturing July 1, 2028, administered by BCHMC, bearing interest at 2.55% per annum, secured by property (Triage building) payable at \$20,304 per month, including interest | 2,022,786 | 2,207,578 |
| Royal Bank of Canada mortgage, maturing October 1, 2020, bearing interest at 3.886% per annum, secured by a first mortgage charge over property (Lux), payable at \$10,445 per month in blended instalments | 2,082,691 | 2,126,823 |
| | <u>34,148,854</u> | <u>34,968,181</u> |
| Classified as current liabilities: | | |
| Debt due within one year | - | 2,080,006 |
| Scheduled cash repayments of debt due within one year | 847,378 | 762,407 |
| | <u>\$ 33,301,476</u> | <u>\$ 32,125,768</u> |

Principal repayments are anticipated to be as follows:

| | |
|------------|----------------------|
| 2020 | \$ 847,378 |
| 2021 | 2,860,663 |
| 2022 | 846,453 |
| 2023 | 869,801 |
| 2024 | 893,735 |
| Thereafter | <u>27,830,824</u> |
| | <u>\$ 34,148,854</u> |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

6. FORGIVABLE LOANS

| | 2019 | 2018 |
|---|----------------------|----------------------|
| BCHMC forgivable loan in the amount of \$17,627,022, bearing interest at 0% per annum, forgiven over 25 years commencing April 2017, secured by a second mortgage charge over property (Lux), repayable on demand in the event of default, plus interest at prime plus 2% per annum | \$ 13,549,968 | \$ 13,973,405 |
| BCHMC forgivable loan in the amount of \$1,415,000, bearing interest at 0% per annum, forgiven over 25 years commencing April 2017, secured by a first mortgage charge over property (Fraser Street), repayable on demand in the event of default, plus interest at prime plus 2% per annum | 932,385 | 972,821 |
| BCHMC forgivable loan in the amount of \$772,116, bearing interest at 0% per annum, forgiven over 15 years commencing April 2017, secured by a first mortgage charge over property (Vivian), repayable on demand in the event of default, plus interest at prime plus 2% per annum | 463,271 | 489,008 |
| BCHMC forgivable loan in the amount of \$787,604, bearing interest at 0% per annum, forgiven over 5 years commencing April 2017, secured by a first mortgage charge over property (Princess Rooms), repayable on demand in the event of default, plus interest at prime plus 2% per annum | 181,754 | 242,340 |
| BCMHC forgivable loan, in the amount of \$200,000, bearing interest at 0% per annum, forgiven commencing April 2027, secured by a first mortgage charge over property (Budzey), repayable on demand in the event of default, plus interest at prime plus 2% per annum | 177,143 | 182,857 |
| BCMHC forgivable loan, to a maximum of \$500,000, bearing interest at 0% per annum, forgiven commencing August 2028, secured by a first mortgage charge over property (Fraser Street), repayable on demand in the event of default, plus interest at prime plus 2% per annum | 55,117 | 17,830 |
| | \$ 15,359,638 | \$ 15,878,261 |

Pursuant to the policy described in Note 1(h), the reduction in the principal of forgivable loans used to acquire capital assets follows the amortization expense of those capital assets, notwithstanding that the terms of forgiveness in the loan agreement may differ. The continuity of the principal of the Society's forgivable loans is as follows:

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Opening balance | \$ 15,878,261 | \$ 16,416,341 |
| Forgivable loans received during the year | 37,287 | 17,830 |
| Reduction in principal balance and revenue recognized | (555,910) | (555,910) |
| Closing balance | \$ 15,359,638 | \$ 15,878,261 |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

7. DEFERRED CAPITAL CONTRIBUTIONS

The contributions below have been deferred as they will be recognized as revenue over more than one year. The original amounts contributed and deferred, and the amounts recognized as revenue to date are as follows:

| | Year Contributed | Amount Contributed | Accumulated Revenue Recognized | Unamortized Contributions |
|---|---------------------|-----------------------|--------------------------------------|------------------------------|
| Automobiles | 2015-2019 | \$ 162,691 | \$ 122,712 | \$ 39,979 |
| Vivian leasehold improvements | 2007 | 440,000 | 176,002 | 263,998 |
| Fraser Street facility | 2008 | 4,995,787 | 1,732,952 | 3,262,835 |
| Budzey building | 2009/2016 | 3,193,735 | 364,999 | 2,828,736 |
| Washer | 2009 | 6,712 | 5,811 | 901 |
| Vivian building | 2011 | 2,291,000 | 704,921 | 1,586,079 |
| Stephen Brown Memorial Fund capital | 2011 | 100,000 | - | 100,000 |
| Stephen Brown Memorial Fund realized investment income (Note 3) | | 41,855 | - | 41,855 |
| Lux building | 2013 | 1,842,023 | 330,618 | 1,511,405 |
| Maple Ridge leasehold improvements | 2018 | 96,304 | 26,965 | 69,339 |
| | | \$ 13,170,107 | \$ 3,464,980 | \$ 9,705,127 |

The continuity of the Society's deferred capital contributions is as follows:

| | 2019 | 2018 |
|--|---------------------|----------------------|
| Opening balance | \$ 10,097,959 | \$ 10,407,282 |
| Contributions received during the year | 27,109 | 102,358 |
| Amount recognized as revenue | (419,941) | (411,681) |
| Closing balance | \$ 9,705,127 | \$ 10,097,959 |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

8. REPLACEMENT RESERVE

Under the terms of agreements with BCHMC, the Replacement Reserve accounts are to be credited annually plus interest for the Triage building, Vivian, Lux, Budzey and Gordon. The funds in these reserve accounts may only be used as approved by BCHMC. In addition, the Society has internally designated an additional replacement reserve annually plus interest for Fraser Street.

The annual reserve is as follows:

| | 2019 | 2018 |
|-----------------|-------------------|-------------------|
| Triage building | \$ 11,800 | \$ 11,800 |
| Vivian | 17,280 | 17,280 |
| Lux | 69,831 | 69,831 |
| Budzey | 127,008 | 127,008 |
| Gordon | 25,920 | 51,520 |
| Fraser Street | 31,970 | 31,970 |
| | \$ 283,809 | \$ 309,409 |

The annual expense is as follows:

| | 2019 | 2018 |
|-----------------|-------------------|-------------------|
| Triage building | \$ 23,736 | \$ 17,844 |
| Vivian | 789 | 1,818 |
| Lux | 69,305 | 53,342 |
| Budzey | 36,394 | 22,759 |
| Gordon | 4,630 | 5,731 |
| Fraser Street | 29,916 | 3,554 |
| | \$ 164,770 | \$ 105,048 |

9. GOVERNMENT GRANTS AND PRIVATE SUPPORT

Funding for operations is provided by grants from the Vancouver Coastal Health Authority, based on an annual allocation. BCHMC and the Government of Canada also provide funding for clients of the Society. The Society is economically dependent on continued funding from these sources.

BCHMC conducts an annual review of the financial statements and may adjust for any operating surplus or deficit. Prior years' funding adjustments are recognized in the fiscal year they are determined.

Donations recognized in the statement of operations are as follows:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Donations received during the year | \$ 366,577 | \$ 402,773 |
| Deferred donations received in prior years | 115,121 | 79,883 |
| Donations deferred to future years | (217,932) | (246,075) |
| | \$ 263,766 | \$ 236,581 |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

10. HOMELESSNESS PARTNERING STRATEGY GOVERNMENT GRANT

During the year, the Society received funding from the Vancity Community Foundation on behalf of the Government of British Columbia's Homeless Partnering Strategy which is included within Government of Canada revenue. The Society received funding to cover the following program expenses:

Housing First Consortium

| | 2019 | 2018 |
|-------------------|-------------|-------------|
| Staffing | \$ 519,981 | \$ - |
| Expenses incurred | 519,981 | - |

ICM Maple Ridge

| | 2019 | 2018 |
|-------------------------|-------------|-------------|
| Staffing | 65,014 | 54,760 |
| Administration staffing | 4,293 | 1,685 |
| Travel | 2,274 | - |
| Communications | 932 | - |
| Project expenses | - | 4,358 |
| Client expenses | - | 181 |
| Expenses incurred | 72,513 | 60,984 |

ICM Coquitlam

| | 2019 | 2018 |
|-------------------------|-------------|-------------|
| Staffing | \$ - | \$ 40,296 |
| Client expenses | - | 20,832 |
| Administration staffing | - | 6,156 |
| Contracting | - | 406 |
| Expenses incurred | - | 67,690 |

ICM Surrey Program

| | 2019 | 2018 |
|-------------------------|-------------|-------------|
| Staffing | - | 280,039 |
| Administration staffing | - | 66,858 |
| Project expenses | - | 39,331 |
| Project location | - | 28,980 |
| Client expenses | - | 19,230 |
| Contracting | - | 382 |
| Expenses incurred | - | 434,820 |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

10. HOMELESSNESS PARTNERING STRATEGY GOVERNMENT GRANT (Continued)

LGBTQ2S Program

| | | |
|--------------------------------|-------------------|-------------------|
| Staffing | - | 230,948 |
| Administration staffing | - | 45,924 |
| Project location | - | 21,273 |
| Project expenses | - | 7,425 |
| Client expenses | - | 10,304 |
| Expenses incurred | - | 315,874 |
| Total expenses incurred | \$ 592,494 | \$ 879,368 |

11. EMPLOYEE FUTURE BENEFITS

The Society and certain of its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. The Plan has approximately 197,000 active plan members and approximately 95,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2015, indicated an actuarial surplus of \$2,224,000,000 for basic pension benefits. The next valuation will be as at December 31, 2018, with results available in the latter half of 2019. The actuary does not attribute portions of the unfunded liability to individual employers. During the 2019 fiscal year, the Society paid \$766,576 (2018 - \$790,765) for employer contributions.

The Society is a participating employer in the Healthcare Benefit Trust (the "Benefit Trust") and its employees are covered for long-term disability and group life claims on the same basis as employees of other participating employers. At December 31, 2015, the date of the most recent annual report available, the Benefit Trust was in a surplus position. The actuarial liabilities for plan benefits represent the aggregate for the entire plan covering all employers. Any unfunded liability or surplus is not attributed to individual employers. During the 2019 fiscal year, the Society paid \$766,576 (2018 - \$653,671) for employer contributions.

12. OPERATING LEASE COMMITMENTS

The Society has entered into agreements for the lease of office spaces and equipment expiring at varying dates through September 2024. Minimum payments under these agreements during the next five fiscal years are anticipated to be as follows:

| | | |
|------|----|--------|
| 2020 | \$ | 41,721 |
| 2021 | \$ | 39,913 |
| 2022 | \$ | 40,259 |
| 2023 | \$ | 18,126 |
| 2024 | \$ | 8,197 |

RAINCITY HOUSING AND SUPPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

13. WAGES AND EMPLOYEE BENEFITS

Wages and employee benefits expense for the year includes ten employees that each earned over \$75,000, for a total of \$1,017,959 (2018 – ten employees that each earned over \$75,000 for a total of \$986,753).

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statements. Such reclassification does not have any effect on the total net assets and deficiency of revenue over expenses previously reported.