RAINCITY HOUSING AND SUPPORT SOCIETY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2022

manning elliott

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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, 2022, and the statements of revenues and expenses, changes in net assets, changes in replacement reserve fund 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 matters 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, 2022, 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 audit 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 revenues over expenses, and cash flows from operations for the years ended March 31, 2022 and 2021, total assets as at March 31, 2022 and 2021, and net assets at both the beginning and end of the March 31, 2022 and 2021 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, 2021 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.

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

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INDEPENDENT AUDITORS' REPORT

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 auditors' 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 auditors' 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.

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INDEPENDENT AUDITORS' REPORT

Other Matter
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information on the operating results of individual programs included in Schedules 1 through 24 is presented for purposes of additional information. These Schedules are required by the British Columbia Housing Management Commission and are not in accordance with Canadian accounting standards for not-for-profit organizations.

Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, except for the presentation format required by British Columbia Housing Management Commission on the Schedules, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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, except as described in the Basis for Qualified Opinion section of our report.

Manning Elliott LLP

Chartered Professional Accountants

Vancouver, British Columbia

June 30, 2022

RAINCITY HOUSING AND SUPPORT SOCIETY

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash and cash equivalents	$ 3,953,912	$ 4,575,966
Accounts receivable (Note 2)	1,758,246	3,824,701
Prepaid expenses and inventory	194,897	197,296
	5,907,055	8,597,963
RESTRICTED CASH AND INVESTMENTS (Note 3)	1,572,427	1,571,835
CAPITAL ASSETS (Note 4)	52,131,168	54,301,198
	$ 59,610,650	$ 64,470,996
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 1,934,286	$ 2,834,054
Wages and benefits payable	2,107,898	1,875,178
Government remittances payable	106,779	82,662
Tenant deposits	35,583	35,583
Deferred revenue (Note 5)	4,083,299	4,788,790
Scheduled cash repayments of long-term debt (Note 6)	919,627	896,038
	9,187,472	10,512,305
LONG-TERM DEBT (Note 6)	30,101,832	31,021,459
FORGIVABLE LOANS (Note 7)	13,975,518	14,548,479
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	8,991,814	9,435,066
	62,256,636	65,517,309
OPERATING LEASE COMMITMENTS (Note 13)		
CONTINGENT LIABILITY (NOTE 15)		
NET ASSETS (DEFICIT)		
UNRESTRICTED		
Operating Funds	(5,121,734)	(3,674,354)
Society Fund	549,089	517,048
RESTRICTED		
Capital Asset Fund	610,745	795,671
Replacement Reserve Fund	1,315,914	1,315,322
	(2,645,986)	(1,046,313)
	$ 59,610,650	$ 64,470,996

Parvinder Grewal

Director

L Carter

Director

RAINCITY HOUSING AND SUPPORT SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2022

	Operating Fund	Society Fund	Capital Asset Fund	Replacement Reserve Fund	**2022**	**2021**
NET ASSETS (DEFICIT), BEGINNING OF YEAR	$ (3,674,354)	$ 517,048	$ 795,671	$ 1,315,322	$ (1,046,313)	$ (232,447)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	(483,744)	32,041	(1,153,817)	5,847	(1,599,673)	(813,866)
Repayment of long-term debt	(896,038)	-	896,038	-	-	-
INTERFUND TRANSFERS:						
Transfer from Operating Funds to Capital Asset Fund (Note 1(c))	(72,853)	-	72,853	-	-	-
Transfer from Replacement Reserve Fund (Note 9)	289,064	-	-	(289,064)	-	-
Transfer to Replacement Reserve Fund (Note 9)	(283,809)	-	-	283,809	-	-
NET ASSETS (DEFICIT), END OF YEAR	$ (5,121,734)	$ 549,089	$ 610,745	$ 1,315,914	$ (2,645,986)	$ (1,046,313)

RAINCITY HOUSING AND SUPPORT SOCIETY

STATEMENT OF CHANGES IN REPLACEMENT RESERVE FUND

FOR THE YEAR ENDED MARCH 31, 2022

	Triage Building	Lux	Vivian	Budzey	Gordon	Fraser Street	**2022**	**2021**
REPLACEMENT RESERVE FUND, BEGINNING OF YEAR	$ 58,212	$ 214,538	$ 135,666	$ 449,398	$ 91,620	$ 365,888	$ 1,315,322	$ 1,307,816
Provision	11,800	69,831	17,280	127,008	25,920	31,970	283,809	283,809
Interest earned	266	616	714	1,815	402	2,034	5,847	8,391
Expenses (per below)	(5,658)	(94,636)	(8,965)	(93,480)	(3,507)	(82,818)	(289,064)	(284,694)
REPLACEMENT RESERVE FUND, END OF YEAR	$ 64,620	$ 190,349	$ 144,695	$ 484,741	$ 114,435	$ 317,074	$ 1,315,914	$ 1,315,322
Expenses comprised of:								
Appliances	$ 1,277	$ 11,867	$ 371	$ 21,389	$ 1,426	$ 1,725	$ 38,055	$ 43,942
Flooring	3,170	-	3,440	36,100	-	-	42,710	2,453
Other: Elevators	-	-	-	-	-	-	-	57,513
Room renovation	-	79,157	-	7,770	682	4,103	91,712	121,788
Sewer work	-	-	-	-	-	-	-	17,580
Painting	-	637	5,154	24,214	736	8,211	38,952	33,118
Security gate	-	-	-	-	-	68,779	68,779	7,790
Window coverings	1,211	2,975	-	4,007	663	-	8,856	510
TOTAL EXPENSES	$ 5,658	$ 94,636	$ 8,965	$ 93,480	$ 3,507	$ 82,818	$ 289,064	$ 284,694

RAINCITY HOUSING AND SUPPORT SOCIETY

STATEMENT OF REVENUES AND EXPENSES

FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
REVENUES		
British Columbia Housing Management Commission	$ 22,274,013	$ 20,069,224
Vancouver Coastal Health Authority	10,177,585	9,474,911
Start-up and organizational funding	3,640,551	2,598,813
Rent	3,252,871	3,327,611
British Columbia Housing Management Commission subsidy (Note 1(c))	1,335,192	1,335,192
Fraser Health Authority	1,232,135	1,280,010
Amortization of forgivable loans (Note 7)	572,961	572,962
Amortization of deferred capital contributions (Note 8)	443,252	439,884
Government of Canada (Note 11)	385,019	329,626
Donations (Note 10)	150,416	289,785
Interest and other	104,833	169,081
Province of British Columbia Temporary Pandemic Pay	-	699,632
	43,568,828	40,586,731
EXPENSES		
Wages and employee benefits (Note 12 and 14)	31,399,542	28,732,619
Maintenance and repairs	2,646,757	2,055,134
Amortization of capital assets	2,170,030	2,184,670
Client engagements and peer workers	1,435,738	1,178,478
Food and supplies	1,418,932	1,267,573
Utilities	1,222,068	1,110,200
Mortgage interest	853,925	909,043
COVID-19 meals program	479,774	816,915
Travel	421,306	255,848
Garbage	421,171	389,771
IT maintenance	397,678	368,434
Rent supplements	304,281	305,937
Rent and property taxes	283,045	220,663
Insurance	279,143	231,337
Telephone	198,867	183,697
Janitorial supplies and linen	193,180	225,204
Start-up cost for new shelters	183,604	136,154
Office and miscellaneous	137,179	169,124
Cleaning services	131,215	65,106
Pest control	130,051	109,122
Equipment and furniture	127,231	122,695
Education and staff development	109,144	51,057
Resource development	78,749	159,467
Professional fees	75,000	81,000
Consulting	42,792	48,361
Payroll and bank charges	28,099	22,988
	45,168,501	41,400,597
DEFICIENCY OF REVENUES OVER EXPENSES FOR THE YEAR	$ (1,599,673)	$ (813,866)

RAINCITY HOUSING AND SUPPORT SOCIETY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

		2022		2021
CASH FROM (USED IN):				
OPERATING ACTIVITIES				
Deficiency of revenues over expenses for the year	$	(1,599,673)	$	(813,866)
Items not involving cash:				
Amortization of forgivable loans		(572,961)		(572,962)
Amortization of deferred capital contributions		(443,252)		(439,884)
Amortization of capital assets		2,170,030		2,184,670
		(445,856)		357,958
Change in non-cash working capital items:				
Accounts receivable		2,066,455		(2,853,612)
Prepaid expenses and inventory		2,399		36,200
Accounts payable and accrued liabilities		(899,768)		807,399
Wages and benefits payable		232,720		433,489
Government remittances payable		24,117		15,041
Deferred revenue		(705,491)		745,732
		274,576		(457,793)
FINANCING ACTIVITIES				
Deferred capital contributions received		-		542,570
Repayment of long-term debt		(896,038)		(1,383,979)
		(896,038)		(841,409)
INVESTING ACTIVITIES				
Purchase of capital assets		-		(30,506)
Increase in restricted cash		(592)		(7,506)
		(592)		(38,012)
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(622,054)		(1,337,214)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		4,575,966		5,913,180
CASH AND CASH EQUIVALENTS, END OF YEAR	$	3,953,912	$	4,575,966

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 to entry with a housing first approach. The Society currently operates approximately twenty-nine 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, Gibsons, Coquitlam, Maple Ridge, Richmond, Surrey and Chilliwack.

In this financial year and as part of its strategic plan, the Society has been focusing on two areas:

- Strengthening its internal infrastructure so it can support the organization in a more sustainable way.

- Moving forward and focusing on improving the health and safety of its program staff by creating spaces for learning in the workplace, by increasing cultural safety for staff who identify as black, indigenous, or as a person of color, and by increasing support for employees with mental health or substance use issues.

The opioid crisis is still on-going and the loss of life of community members continues to impact the Society in many different ways.

The Society's current five-year strategic plan is 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 (Canada) and is accordingly exempt from income taxes. The Society is a not-for-profit organization under the British Columbia Societies Act.

The COVID-19 health pandemic has had a significant impact on social and economic activity through the restrictions put in place by various levels of government regarding travel, business operations and isolation/quarantine orders. The Society continues to monitor its operations and assess the impact COVID-19 will have on its operating activities.

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.

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 capital contributions include 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 it is earned.

c) Presentation of net assets

The net assets of the Operating Fund 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 less any related liabilities, 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 Canadian accounting standards for not-for-profit organizations. Consequently, the amortization is significantly higher than the principal reduction of the related debt, causing the building’s net book value to be reduced at a higher rate than the debt, which is funded by the Operating Fund. This difference is accounted for in the transfer of $72,853 (2021 - $238,670) from the Operating Fund to the Capital Asset Fund and to ensure the Capital Asset Fund is not in a deficit position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Presentation of net assets (Continued)

During the year, the Society received an operating subsidy of $1,335,192 (2021 - $1,335,192) from British Columbia Housing Management Commission for the Budzey which was recognized as revenue during the year.

d) Financial instruments

i) Measurement

The Society's financial instruments consist of cash and cash equivalents, restricted 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. The Society subsequently measures all of its financial assets and liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value.

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 revenues and expenses. 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 revenues and expenses in the period in which it is determined.

iii) Transactions

The Society recognizes its transaction costs in the statement of revenues and expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

e) Cash and cash equivalents

Cash and cash 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.

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%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Capital assets (Continued)

Buildings and leasehold improvements:

- 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 and ends March 31, 2053. 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’s policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the Society's value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of revenues and expenses and are not reversed. To March 31, 2022, 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 (see Note 9).

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.

i) Employee future benefits

The cost of employee future benefits earned by the Society's employees is disclosed in Note 12. 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) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

   j) Use of estimates (Continued)

      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 capital assets used for calculating amortization, measurement of deferred revenue, forgivable loans, and deferred capital contributions, the amounts recorded as accrued liabilities and disclosures about contingencies and commitments at the date of the financial statements.

   k) Contributed services and materials

      The Society benefits from contributed services in the form of volunteer time and contributed materials. Contributed services are not recognized in the financial statements. Contributed materials are recorded at the fair market value only when a realizable value of the related benefit can be reasonably estimated and the materials are used in the normal course of operations and would otherwise have been purchased.

2. FINANCIAL INSTRUMENTS RISKS

   The Society's financial instruments are described in Note 1(d). In management's opinion, the Society is not exposed to significant credit, liquidity, market, currency, interest rate or other price risks arising from these financial instruments, except as described below. In addition, the Society is not exposed to any material concentrations of risk and there has been no significant change in risk exposures from the prior 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. At March 31, 2022 and 2021, an allowance for doubtful accounts was not considered necessary by management.

   Although the COVID-19 health pandemic has had a significant impact on many organizations, based on the nature of the Society's accounts receivable, management has determined the Society's credit risk to be minimal and will continue to monitor receivables to mitigate any potential credit risk.

   Liquidity risk:

   Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with liabilities. The Society is exposed to the risk mainly in respect of its accounts payable and long-term debt. 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.

   There is increased liquidity risk as a result of the COVID-19 health pandemic, as there is risk that the Society may be unable to receive additional funding from its funders, specifically when expenses are already made. The Society will continue to monitor its cash flows and pro-actively communicate with all parties to mitigate this risk and anticipates that its cash reserves will adequately minimize liquidity risk.

2. FINANCIAL INSTRUMENTS RISKS (Continued)

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.

Currency risk:

Currency risk is the risk that the fair value or future cash year end flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is not exposed to currency risk as all operations and financial instruments are conducted and denominated in Canadian dollars.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Society is exposed to interest rate risk through the Society's investments and debt. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society controls interest rate risk by being conscious of market rates when investing and obtaining debt. The Society has also mitigated this risk by fixing the interest rates on its long-term debt (Note 6).

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to other price risk.

3. RESTRICTED CASH AND INVESTMENTS

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

	2022	2021
Replacement Reserve Fund:		
Restricted cash	$ 1,315,914	$ 1,315,322
Society Fund:		
Long-term investments	107,567	107,567
Stephen Brown Memorial Fund (Vancouver Foundation)	148,946	148,946
	$ 1,572,427	$ 1,571,835

RAINCITY HOUSING AND SUPPORT SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	**2022** Net Book Value	**2021** Net Book Value
Office equipment	$ 18,516	$ 18,516	$ -	$ -
Computer equipment and software	392,756	308,899	83,857	119,794
Furniture and fixtures	16,069	15,054	1,015	1,268
Automobiles	320,846	254,171	66,675	95,251
	748,187	596,640	151,547	216,313
Triage building:				
Land leasehold interest	412,500	202,767	209,733	216,725
Building and improvements	4,329,055	3,082,835	1,246,220	1,403,021
	4,741,555	3,285,602	1,455,953	1,619,746
Princess Rooms:				
Land	651,313	-	651,313	651,313
Building and improvements	1,716,183	1,715,858	325	55,381
	2,367,496	1,715,858	651,638	706,694
Vivian:				
Land	235,000	-	235,000	235,000
Building	2,291,000	969,268	1,321,732	1,409,847
Building improvements	1,397,112	698,550	698,562	745,132
	3,923,112	1,667,818	2,255,294	2,389,979
Fraser Street:				
Building	6,876,736	2,822,220	4,054,516	4,255,495
Lux:				
Building	21,906,020	6,752,798	15,153,222	15,672,651
Budzey:				
Building	35,489,577	7,097,914	28,391,663	29,405,651
Maple Ridge:				
Leasehold improvements	86,673	69,338	17,335	34,669
	$ 76,139,356	$ 24,008,188	$ 52,131,168	$ 54,301,198

4. CAPITAL ASSETS (Continued)

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 $500,036, respectively (2021 - $2,594,288 and $429,057).

5. DEFERRED REVENUE

Deferred revenue represents externally restricted amounts that have been deferred as they will be recognized over more than one year:

	2022	**2021**
Balance, beginning of year	$ 4,788,790	$ 4,043,058
Amounts received during the year	3,713,613	4,477,382
Amount recognized as revenue during the year	(4,419,104)	(3,731,650)
Balance, end of year	$ 4,083,299	$ 4,788,790

RAINCITY HOUSING AND SUPPORT SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

6. LONG-TERM DEBT

	2022	**2021**
MCAP Financial Corporation mortgage, maturing August 1, 2025, bearing interest at 2.80% per annum, secured by property (Budzey), payable at $119,641 per month, including interest.	$ 28,170,389	$ 28,812,156
Canada Mortgage and Housing Corporation 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.	1,423,971	1,628,657
Coast Capital Savings Federal Credit Union mortgage, maturing October 1, 2030, bearing interest at 1.58% calculated semi-annually, secured by a first mortgage charge over property (Lux), payable at $6,040 per month, including interest.	1,427,099	1,476,684
	31,021,459	31,917,497
Classified as current liabilities:		
Scheduled cash repayments of debt due within one year	919,627	896,038
	$ 30,101,832	$ 31,021,459

Principal repayments are anticipated to be as follows:

2023	$ 919,627
2024	944,849
2025	970,484
2026	26,414,332
2027	285,976
Thereafter	1,486,191
	$ 31,021,459

7. FORGIVABLE LOANS

	2022	2021
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.	$ 12,279,661	$ 12,703,097
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.	811,074	851,511
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.	386,060	411,797
BCMHC forgivable loan, in the amount of $372,828, 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.	338,722	355,775
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.	160,001	165,714
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.	-	60,585
	$ 13,975,518	$ 14,548,479

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:

	2022	2021
Opening balance	$ 14,548,479	$ 15,121,441
Reduction in principal balance and revenue recognized	(572,961)	(572,962)
Closing balance	$ 13,975,518	$ 14,548,479

8. 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	2015-2022	$ 229,119	$ 176,456	$ 52,663
Vivian leasehold improvements	2007	440,000	220,004	219,996
Fraser Street facility	2008	4,995,787	2,168,831	2,826,956
Budzey building	2009/2016	3,193,735	638,749	2,554,986
Washer	2009	6,712	6,253	459
Vivian building	2011	2,291,000	969,266	1,321,734
Stephen Brown Memorial Fund capital	2011	100,000	-	100,000
Stephen Brown Memorial Fund realized investment income		48,946	-	48,946
Lux building	2013/2022	2,354,087	505,348	1,848,739
Maple Ridge leasehold improvements	2018	96,304	78,969	17,335
		$ 13,755,690	$ 4,763,876	$ 8,991,814

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

	2022	**2021**
Opening balance	$ 9,435,066	$ 9,332,380
Contributions received during the year	-	542,570
Amount recognized as revenue during the year	(443,252)	(439,884)
Closing balance	$ 8,991,814	$ 9,435,066

9. REPLACEMENT RESERVE

Under the terms of agreements with BCHMC, the Replacement Reserve accounts are to be credited annually plus interest for the Triage building, Lux, Vivian, 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:

	2022	2021
Triage building	$ 11,800	$ 11,800
Lux	69,831	69,831
Vivian	17,280	17,280
Budzey	127,008	127,008
Gordon	25,920	25,920
Fraser Street	31,970	31,970
	$ 283,809	$ 283,809

The annual expense is as follows:

	2022	2021
Triage building	$ 5,658	$ 6,587
Lux	94,636	161,030
Vivian	8,965	46,738
Budzey	93,480	39,213
Gordon	3,507	18,579
Fraser Street	82,818	12,547
	$ 289,064	$ 284,694

10. 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. The previous four fiscal years are still under review by BCHMC, with the accumulated deficit of these four fiscal years to be estimated at $1,900,000. The Society will work with BCHMC to complete the reviews before the end of fiscal 2023.

Donations recognized in the statement of revenues and expenses are as follows:

	2022	2021
Donations received during the year	$ 507,534	$ 476,392
Deferred donations recognized as revenue	73,600	95,286
Donations deferred to future years	(430,718)	(281,893)
	$ 150,416	$ 289,785

11. GOVERNMENT OF CANADA

During the year, the Society received funding from the Vancity Community Foundation on behalf of the Reaching Home: Canada's Homelessness Strategy for LGBTQ2S and ICM Surrey, which is included within Government of Canada revenue. The Society also received funding on behalf of Women and Gender Equality Canada for Budzey, which is included within Government of Canada revenue. The Society received funding to cover the following program expenses:

	2022	2021
LGBTQ2S*		
Staffing	$ 184,076	$ 149,044
Administration fee	5,924	5,247
Expenses incurred	190,000	154,291
ICM Surrey		
Staffing	159,657	150,599
Other	16,413	-
Administration fee	14,892	14,615
Tenant support	-	10,121
Expenses incurred	190,962	175,335
Budzey		
Administration fee	3,763	-
Honoraria / professional fees	294	-
Expenses incurred	4,057	-
Total expenses incurred	$ 385,019	$ 329,626

12. EMPLOYEE FUTURE BENEFITS

The Society and certain of its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed 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 220,000 active plan members and approximately 112,000 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, 2018, indicated an actuarial surplus of $2,866,000,000 for basic pension benefits. The next valuation will be as at December 31, 2021, with results available in 2022. The results were not available as at the audit report date. The actuary does not attribute portions of the unfunded liability to individual employers. During the 2022 fiscal year, the Society paid $1,301,565 (2021 - $1,018,132) 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, 2018, 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 2022 fiscal year, the Society paid $1,181,157 (2021 - $1,004,500) for employer contributions.

13. 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 four fiscal years are anticipated to be as follows:

2022	$	158,099
2023		72,847
2024		37,558
2025		8,559

14. 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 $1,183,903 (2021 – ten employees that each earned over $75,000 for a total of $1,207,581).

15. CONTINGENT LIABILITY

During fiscal 2019, the Society received funding in the amount of $421,544 from BCHMC for repairs and maintenance expenses to the Princess building. The forgivable loan is interest bearing at 0% per annum, forgiven over 15 years commencing April 2029, 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.