



Lookout

Housing + Health Society

Lookout Housing and Health Society
Financial Statements
For the year ended March 31, 2019

Lookout Housing and Health Society
Financial Statements
For the year ended March 31, 2019

	Contents
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 22



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the Directors of Lookout Housing and Health Society

Opinion

We have audited the accompanying financial statements of Lookout Housing and Health Society (the "Society"), which comprise the Statement of Financial Position as at March 31, 2019 and the Statements of Operations, Changes in Net Assets, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 its results of operations, changes in net assets, and 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. 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.

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 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 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.

BDO Canada LLP

Chartered Professional Accountants

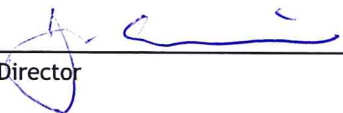
Vancouver, British Columbia

June 13, 2019

Lookout Housing and Health Society
Statement of Financial Position

March 31	2019	2018
Assets		
Current		
Cash and cash equivalents	\$ 8,542,211	\$ 5,487,072
Investments (Note 4)	4,045,697	3,777,471
Accounts receivable	712,782	519,603
Goods and sales tax recoverable	46,134	43,752
Prepaid expenses and deposits	331,954	121,782
Due from Lookout Foundation (Note 8)	-	88,236
	13,678,778	10,037,916
Investments (Note 4)	1,374,760	1,145,502
Cash held in trust by B.C. Housing (Note 5)	296,025	290,132
Capital assets (Note 6)	39,245,490	38,697,904
	\$ 54,595,053	\$ 50,171,454
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 4,417,565	\$ 3,076,020
Security deposits	189,847	172,746
Deferred contributions	5,038,862	3,036,812
Current portion of mortgages payable (Note 10)	713,791	648,866
Current portion of forgivable loans payable (Note 11)	87,172	87,171
Current portion of long-term deferred capital contributions (Note 12)	828,673	771,283
Due to Lookout Foundation (Note 8)	377,037	-
	11,652,947	7,792,898
Replacement and renovation reserves (Note 9)	1,644,088	1,666,017
Mortgages payable (Note 10)	16,829,504	16,582,430
Long-term forgivable loans payable (Note 11)	2,158,422	2,245,594
Long-term deferred capital contributions (Note 12)	13,798,513	14,072,582
	46,083,474	42,359,521
Net assets		
Invested in capital assets	5,125,440	4,580,110
Internally restricted (Note 14)	2,376,848	2,417,254
Unrestricted	1,009,291	814,569
	8,511,579	7,811,933
	\$ 54,595,053	\$ 50,171,454

Commitments (Note 16)
Contingent liabilities (Note 17)



Director



Director

Lookout Housing and Health Society
Statement of Operations

For the year ended March 31

2019

2018

Revenues

British Columbia Housing Management Commission	\$ 22,011,577	\$ 18,997,594
Vancouver Coastal Health Authority	5,021,566	4,874,909
Rental income	4,194,375	3,111,639
Fraser Health Authority	3,384,104	2,811,709
Amortization of deferred capital contributions	829,286	470,790
Not-for-profit grants	746,891	710,925
Client user fees	733,315	774,109
Municipal grants	529,727	132,150
Federal grants	525,555	272,675
Other provincial grants	445,300	317,112
Other revenues	333,176	166,395
Interest	242,881	126,683
Donations (Note 15)	242,593	240,391
Tenant expense recoveries	93,798	108,637
Recognition of forgivable loans	87,171	94,791
Reserve recovery (Note 9)	-	767,553
MDABC contribution (Note 1)	-	57,735
	39,421,315	34,035,797

Expenses

Salaries and benefits	24,964,395	20,989,293
Foundation services fee (Note 8)	2,407,186	1,961,702
Program supplies	1,996,608	1,679,721
Amortization of capital assets	1,587,927	1,502,872
Food	1,547,308	1,576,254
Renovations, repairs and maintenance	1,451,705	1,084,818
Utilities	1,261,968	994,507
Rent supplements	864,990	763,484
Office and general	750,141	698,140
Interest on long-term debt	600,503	517,575
Service contracts	328,746	290,028
Professional fees	246,446	140,835
Telephone and internet	204,667	185,392
Transportation and travel	194,657	175,814
Insurance	136,645	102,988
Property taxes	131,214	67,275
Staff training	46,563	43,444
	38,721,669	32,774,142

Excess of revenues over expenses

\$ 699,646 \$ 1,261,655

Lookout Housing and Health Society
Statement of Changes in Net Assets

Comparative year ended March 31, 2018

	Invested in capital assets	Internally restricted	Unrestricted	Total
Balance, April 1, 2017	\$ 4,868,382	\$ 1,656,171	\$ 25,725	\$ 6,550,278
Excess (deficiency) of revenues over expenses	(937,291)	-	2,198,946	1,261,655
Acquisition of capital assets	2,995,537	-	(2,995,537)	-
Net change in mortgages payable	(1,014,350)	-	1,014,350	-
Receipt of deferred capital contributions	(1,336,041)	-	1,336,041	-
Net change in cash held in trust by BC Housing	3,873	-	(3,873)	-
Interfund transfers	-	761,083	(761,083)	-
Balance, March 31, 2018	\$ 4,580,110	\$ 2,417,254	\$ 814,569	\$ 7,811,933

For the year ended March 31, 2019

	Invested in capital assets	Internally restricted	Unrestricted	Total
Balance, April 1, 2018	\$ 4,580,110	\$ 2,417,254	\$ 814,569	\$ 7,811,933
Excess (deficiency) of revenues over expenses	(671,470)	-	1,371,116	699,646
Acquisition of capital assets	2,135,513	-	(2,135,513)	-
Net change in mortgages payable	(311,999)	-	311,999	-
Receipt of deferred capital contributions	(612,607)	-	612,607	-
Net change in cash held in trust by BC Housing	5,893	-	(5,893)	-
Interfund transfers	-	(40,406)	40,406	-
Balance, March 31, 2019	\$ 5,125,440	\$ 2,376,848	\$ 1,009,291	\$ 8,511,579

Lookout Housing and Health Society
Statement of Cash Flows

For the year ended March 31	2019	2018
Operating activities		
Excess of revenues over expenses	\$ 699,646	\$ 1,261,655
Adjustments for non-cash items:		
Amortization of deferred capital contributions	(829,286)	(470,790)
Recognition of forgivable loan payable	(87,171)	(94,791)
Amortization	1,587,927	1,502,872
	<u>1,371,116</u>	<u>2,198,946</u>
Changes in non-cash working capital items:		
Accounts receivable	(193,179)	(30,510)
Goods and sales tax recoverable	(2,382)	9,090
Prepaid expenses and deposits	(210,172)	(4,241)
Accounts payable and accrued liabilities	1,341,545	749,100
Deferred contributions	2,002,050	(144,123)
Security deposits	17,101	25,974
Due from Foundation	465,273	(415,725)
	<u>4,791,352</u>	<u>2,388,511</u>
Financing activities		
Proceeds from mortgages payable	1,005,650	1,640,100
Repayment of mortgages payable	(693,651)	(625,750)
Replacement and renovation reserves funding	329,391	(519,758)
Expenditure of replacement and renovation reserves	(351,320)	(103,277)
Receipt of deferred capital contributions	612,607	1,336,041
	<u>902,677</u>	<u>1,727,356</u>
Investing activities		
Increase in investments	(497,484)	(93,089)
Increase in cash held by BC Housing Management Commission	(5,893)	(3,872)
Acquisition of capital assets	(2,135,513)	(2,995,537)
	<u>(2,638,890)</u>	<u>(3,092,498)</u>
Increase in cash during the year	3,055,139	1,023,369
Cash and cash equivalents, beginning of year	<u>5,487,072</u>	<u>4,463,703</u>
Cash and cash equivalents, end of year	<u>\$ 8,542,211</u>	<u>\$ 5,487,072</u>

Lookout Housing and Health Society

Notes to the Financial Statements

March 31, 2019

1. General

Lookout Emergency Aid Society was incorporated on July 19, 1974 under the laws of the Societies Act (BC) as a not-for-profit organization and is a registered charity under the Income Tax Act. In 2018, Lookout Emergency Aid Society changed its name to Lookout Housing and Health Society (the "Society"). The Society provides housing and a range of support services to adults with low or no income who have few, if any, housing or support options. The Society operates 90 programs located within 42 sites and includes 1,119 subsidized housing units.

On September 1, 2017, the Society took over operations of Mood Disorders Association of British Columbia ("MDABC"). The assets, liabilities and contracts of MDABC with a fair value of \$57,735 were contributed to the Society on September 1, 2017. MDABC provides support and education to people diagnosed with mood disorders, as well as to their families, supporters, health professionals, and the community at large. MDABC encourages ongoing research, and assists in the formation of self-help and support groups.

2. Summary of 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) Revenue Recognition

The Society follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and other sources of revenue are recognized on an accrual basis over the terms of the program contracts if the amount to be received can be reasonably estimated and collection can be reasonably assured.

Revenue is recognized from various sources as outlined below:

- (i) Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.
- (ii) Restricted contributions for the purchase of capital assets that will not be amortized, such as land, are recognized as direct increase in net assets.
- (iii) 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.
- (iv) Capital contributions received for the acquisition of capital assets are deferred and amortized at the same rate as the amortization of the cost of the related capital asset.

March 31, 2019

2. Summary of Significant Accounting Policies (continued)

(a) Revenue Recognition (continued)

- (v) Investment income includes dividend and interest income recorded on the accrual basis, as well as realized investment gains and losses and unrealized gains and losses on financial instruments subsequently measured at fair value. Investment income is included in the statement of operations, or deferred depending on the nature of any external restrictions imposed on the investment income. Restricted investment income, including those related to replacement reserves, is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.
- (vi) Forgivable loans are recorded as liabilities and are amortized to income evenly over the life of the related acquired asset. The portion of the loan related to land is recorded as a direct contribution to net assets.

(b) Cash Equivalents

Cash equivalents include highly liquid financial instruments with a term of maturity of ninety days or less at the date of acquisition. Cash equivalents are recorded at the lower of cost plus accrued interest and market value.

(c) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution.

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated using the straight-line method over their estimated useful lives. The amortization periods applicable to the various classes of property and equipment are as follows:

Buildings	35 - 40 years
Building improvements	38 - 40 years
Furniture and fixtures	5 years
Automotive	3 years
Computer hardware	3 years

The leased land is amortized over the lease term of 60 years, and is recorded at historical cost less accumulated amortization. Upon expiration of the lease contract, the property will revert to the lessor.

Construction in progress is amortized upon completion of the project and the asset is ready for use.

March 31, 2019

2. Summary of Significant Accounting Policies (continued)

(d) Contributed Materials and Services

Contributed materials are recorded, when received, at their estimated fair value, only if they would otherwise be purchased.

Management estimates that 8,220 (2018 - 9,687) volunteers contributed approximately 84,932 hours (2018 - 63,211 hours) to assist the Society in carrying out its services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(e) Employee Future Benefits

The Society and its employees make contributions to the Municipal Pension Plan (the "Plan") and the employees accrue benefits under this Plan based on service. The Society's contributions to the Plan are expensed when incurred.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the Society's management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

The areas requiring the greatest degree of estimation are the impairment of long-lived assets, the useful lives of capital assets, and allocation of forgivable loans between land and buildings.

(g) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealised gains or losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value and added to the financial instrument's cost for those measured at amortized cost.

March 31, 2019

3. Financial Instrument Risks

The Society, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2019. There have not been any changes in the risks from the prior year.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on investments and mortgages payable.

The Society manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. The interest rates on the mortgages and investments are fixed. Therefore, the Society is not exposed to significant interest rate risk with respect to future cash flow.

(b) Credit Risk

Credit risk is the risk that the Society will incur a loss due to the failure by its debtors to meet their contractual obligations. The organization is exposed to credit risk arising from its accounts receivable, which is managed by contracting with high quality funding partners with defined contracts and by initiating a prompt collection process.

(c) Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its obligations as they fall due. The Society maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Society's exposure to foreign exchange risk is not material.

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

4. Investments

	2019	2018
Term deposits maturing between April 2019 and March 2020, at rates varying from 1.25% to 2.93%	\$ 4,535,154	\$ 3,780,987
Government bonds maturing up to December 2020, at a rate of 4.77%	119,341	386,175
RBC Premium Money Market Fund	750,839	740,883
Royal Bank of Canada shares	15,123	14,928
	5,420,457	4,922,973
Less: current portion	(4,045,697)	(3,777,471)
	\$ 1,374,760	\$ 1,145,502

5. Cash Held In Trust By B.C. Housing

	2019	2018
Cash held in trust by BC Housing Management Commission relating to the Rhoda Kaellis Residence	\$ 296,025	\$ 290,132

6. Capital Assets

	Cost	Accumulated Amortization	2019 Net Book Value
Land	\$ 7,066,393	\$ -	\$ 7,066,393
Buildings	47,275,012	18,636,126	28,638,884
Building improvements	932,120	107,529	824,591
Leased land	3,224,436	1,095,922	2,128,514
Furniture and fixtures	1,285,569	1,057,868	227,701
Automotive	479,719	433,150	46,569
Computer hardware	346,066	282,197	63,869
Construction in progress	248,969	-	248,969
	\$ 60,858,284	\$ 21,612,792	\$ 39,245,490

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

6. Capital Assets (continued)

	Cost	Accumulated Amortization	2018 Net Book Value
Land	\$ 6,749,484	\$ -	\$ 6,749,484
Buildings	46,026,915	17,344,431	28,682,484
Building improvements	779,875	83,886	695,989
Leased land	3,224,436	1,042,181	2,182,255
Furniture and fixtures	1,174,889	961,723	213,166
Automotive	479,719	375,632	104,087
Computer hardware	287,451	217,012	70,439
	<u>\$58,722,769</u>	<u>\$20,024,865</u>	<u>\$38,697,904</u>

7. Accounts Payable and Accrued Liabilities

	2019	2018
Accrued payroll benefits	\$ 2,127,186	\$ 1,660,935
Trade accounts	1,745,222	933,003
Payroll	304,611	254,495
Government remittances payable	185,115	184,615
Belcourt lease payable (Note 23)	47,500	-
Other accruals	7,931	42,972
	<u>\$ 4,417,565</u>	<u>\$ 3,076,020</u>

8. Due to / from Lookout Foundation

The Lookout Foundation (the "Foundation") was incorporated under the laws of the Societies Act (BC) as a not-for-profit organization and is a registered charity under the Income Tax Act. Its purpose includes soliciting and receiving donations and administering and distributing those funds to support the objectives and activities of the Society. The Foundation is not a controlled entity of the Society as the organizations have independent boards of directors with no common board members. The amount receivable from or due to the Foundation is non-interest bearing, unsecured and repayable on demand.

During the year, the Society paid the Foundation services fees of \$2,407,186 (2018 - \$1,961,702) for administrative and financial services, and paid capital and operating contributions of \$76,777 (2018 - \$69,510). The Society received contributions from the Foundation of \$458,005 (2018 - \$827,741). The transactions are recorded at the exchange amount, being the consideration established and agreed to by the related parties.

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

9. Replacement and Renovation Reserves

	2018	Annual Allocation	Expenditures	2019
First Place	\$ 526,473	\$ 93,706	\$ (27,457)	\$ 592,722
Yukon Housing Centre	363,829	30,252	(68,669)	325,412
Jim Green	335,980	31,865	(162,350)	205,495
Macmillan House	-	10,014	(10,014)	-
Cliff Block	165,977	20,131	(306)	185,802
Jeffrey Ross	93,972	73,401	-	167,373
Rhoda Kaellis	111,971	17,460	-	129,431
Belcourt Place	-	37,853	-	37,853
Ross Annex	67,815	-	(67,815)	-
Dover Court	-	14,709	(14,709)	-
	<u>\$ 1,666,017</u>	<u>\$ 329,391</u>	<u>\$ (351,320)</u>	<u>\$1,644,088</u>

Adjustments were made to the replacement reserves based on information provided by BC Housing resulting in adjustments in 2017 and 2018. In 2018 the following reserve balances were adjusted: Jim Green by \$(2,419) (2017 - \$Nil), Ross Annex by \$(14,266) (2017 - \$(53,549)), Jeffrey Ross by \$(5,553) (2017 - \$64,482), and Yukon by \$Nil (2017 - \$(2,162)). Total adjustments in 2018 were \$(13,467) (2017 - \$8,771).

Under the terms of the agreements with BC Housing, Canada Mortgage and Housing Corporation, and the City of Vancouver, the Replacement Reserve accounts are to be credited in the amount determined by the budget provision per annum plus interest earned.

In 2018, the Board determined replacement and renovation reserves for Al Mitchell Place were not externally restricted and recorded these amounts as internally restricted net assets. This resulted in reserve recovery revenue of \$767,553 in 2018.

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

10. Mortgages Payable

	2019	2018
<p>Rhoda Kaellis Residence: 1105 Royal Avenue, New Westminster TD Canada Trust mortgage, bearing interest at 4.16% per annum, repayable in monthly payments of \$31,906 including principal and interest. The repayment terms are due for renewal on January 1, 2021. Secured by a fixed charge on real property and an assignment of rents.</p>	\$ 6,202,148	\$ 6,326,015
<p>Jim Green Residence: 415 Alexander Street, Vancouver Peoples Trust Company mortgage, bearing interest at 2.41% per annum, repayable in monthly payments of \$25,792 including principal and interest. The repayment terms are due for renewal on May 1, 2026. Secured by a fixed charge on real property.</p>	3,264,182	3,492,602
<p>Yukon Housing Centre: 2088 Yukon Street, Vancouver TD Canada Trust mortgage, bearing interest at 2.63% per annum, repayable in monthly payments of \$14,472 including principal and interest. The repayment terms are due for renewal on May 1, 2027. Secured by a fixed charge on real property and an assignment of rents.</p>	2,511,113	2,617,829
<p>Jeffrey Ross Residence: 510 Alexander Street, Vancouver Canada Mortgage and Housing Corporation mortgage, bearing interest at 2.61% per annum, repayable in monthly payments of \$14,378 including principal and interest. The repayment terms are due for renewal on December 1, 2023. Secured by a fixed charge on real property.</p>	1,484,654	1,616,771
<p>Cliff Block Residence: 606 Clarkson Street, New Westminster TD Canada Trust mortgage, bearing interest at 3.21% per annum, repayable in monthly payments of \$2,803 including principal and interest. The repayment terms are due for renewal on July 1, 2028. Secured by a fixed charge on real property.</p>	485,129	503,306
<p>Surrey Residence: 11184 and 11186 143A Street, Surrey Vancouver City Savings Credit Union mortgage, bearing interest at 3.25% per annum, repayable in monthly payments of \$2,469 including principal and interest. The repayment terms are due for renewal on December 5, 2019. Secured by a fixed charge on real property.</p>	382,947	399,911

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

10. Mortgages Payable - Continued

	2019	2018
Surrey Residence: 10008-10010 128th Street, Surrey Vancouver City Savings Credit Union mortgage, bearing interest at 2.69% per annum, repayable in monthly payments of \$3,075 including principal and interest. The repayment terms are due for renewal on April 1, 2021. Secured by a fixed charge on real property.	614,601	634,764
High Drive Residence; 34860-64 High Drive, Abbotsford Vancouver City Savings Credit Union mortgage, bearing interest at 3.65% per annum, repayable in monthly payments of \$3,744 including principal and interest. The mortgage will mature on March 29, 2048.	805,666	821,100
Center Street Residence; 2386-88 Center Street, Abbotsford Vancouver City Savings Credit Union mortgage, bearing interest at 3.65% per annum, repayable in monthly payments of \$3,734 including principal and interest. The mortgage will mature on March 29, 2048.	803,611	819,000
North Shore Apartment; 101-719 West 3rd Street, North Vancouver Vancouver City Union mortgage, bearing interest at 3.65% per annum, and repayable in monthly payments of \$1,694 including principal and interest. The mortgage will mature on May 31, 2023.	327,456	-
Chilliwack Residence; 46101 Princess Avenue, Chilliwack Vancouver City Savings Credit Union mortgage, bearing interest at 3.65% per annum, repayable in monthly payments of \$3,734 including principal and interest. The mortgage will mature on June 7, 2023.	661,788	-
	17,543,295	17,231,298
Less: current portion	(713,791)	(648,866)
	\$ 16,829,504	\$ 16,582,432

Principal payments due in the next five years and thereafter are as follows:

2020	\$ 713,791
2021	736,399
2022	762,340
2023	785,005
2024	808,851
Thereafter	13,736,909
	\$ 17,543,295

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

11. Forgivable Loans Payable

Rhoda Kaellis Residence: 1105 Royal Avenue, New Westminster

British Columbia Housing and Management Commission forgivable loan is non-interest bearing and will be forgiven over twenty-five years at a rate of \$21,815 beginning on the first day of the eleventh year following the commencement date of January 1, 2009. If there is a default under the loan agreement, unearned principal plus interest of 2% per annum in excess of the prime rate computed from the date of default will be repayable. Secured by a fixed charge on real property.

Less amounts amortized

	2019	2018
	\$ 1,650,000	\$ 1,650,000
	(585,510)	(542,930)
	1,064,490	1,107,070

North Shore Transitional Housing: 705 West 2nd Street, North Vancouver

British Columbia Housing and Management Commission forgivable loan is non-interest bearing and will be forgiven over twenty-five years beginning on the first day of the eleventh year following the commencement date of April 1, 2005. If there is a default under the loan agreement, unearned principal plus interest of 2% per annum in excess of the prime rate computed from the date of default will be repayable. Secured by a fixed charge on real property.

Less amounts amortized

	545,380	545,380
	(189,688)	(175,097)
	355,692	370,283

North Shore Shelter: 705 West 2nd Street, North Vancouver

Canada Mortgage and Housing Corporation forgivable loan is non-interest bearing and will be forgiven over fifteen years at a rate of \$27,470 annually, beginning on December 1, 2005. If there is a default under the loan agreement, unearned principal computed from the date of default will be repayable. Terms expire on November 1, 2020. Secured by a fixed charge on real property.

Less amounts amortized

	412,020	412,020
	(143,306)	(132,282)
	268,714	279,738

Carried forward

	\$ 1,688,896	\$ 1,757,091
--	--------------	--------------

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

11. Forgivable Loans Payable (Continued)

	2019	2018
Carried forward	\$ 1,688,896	\$ 1,757,091
Cliff Block Residence: 606 Clarkson Street, New Westminster		
Canada Mortgage and Housing Corporation forgivable loan bears interest at 8.125% per annum and will be forgiven over fifteen years at the rate of \$21,200 annually, beginning on January 1, 2004. If there is a default under the loan or the operating agreement, unearned principal plus interest computed from the date of default will be repayable. Terms expire on January 1, 2019. Secured by a fixed charge on real property.	318,000	318,000
Less amounts amortized	(136,287)	(127,201)
	181,713	190,799
Dover Court Residence: 1606 Lynn Valley Road, North Vancouver		
British Columbia Housing and Management Commission forgivable loan is non-interest bearing and will be forgiven over fifteen years beginning on the first day of the eleventh year following the commencement date of February 17, 2017. If there is a default under the loan agreement, unearned principal plus interest of 2% per annum in excess of the prime rate computed from the date of default will be repayable. Secured by a fixed charge on real property.	1,494,000	1,494,000
Less amounts amortized	(1,119,015)	(1,109,125)
	374,985	384,875
	2,245,594	2,332,765
Less: amount to be recognized as revenue next year	(87,172)	(87,171)
	\$ 2,158,422	\$ 2,245,594

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

12. Deferred Capital Contributions

	2019	2018
BC Housing	\$ 5,942,774	\$ 5,451,602
Other capital grants	4,370,880	4,106,650
Service Canada	4,313,532	5,285,613
	14,627,186	14,843,865
Less: amount to be recognized as revenue next year	(828,673)	(771,283)
	\$13,798,513	\$ 14,072,582

13. Employee Future Benefits

The Society and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Plan's board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, plan membership is broken down into about 197,000 active members and approximately 95,000 retired members. Active members include approximately 38,000 contributors from local government.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as of December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The Society paid \$1,002,886 (2018 - \$997,252) for employer contributions to the Plan in fiscal 2019. The next valuation will be as at December 31, 2018, with results available later in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

March 31, 2019

14. Internally Restricted Net Assets

	Replacement Reserve	Renovation Reserve	Health and Training Reserves	Infrastructure Reserve	Accommodation Reserve	Capital Reserve	2017 Total
Internally restricted net assets, April 1, 2017	\$ 248,402	\$ 26,436	\$ 40,072	\$ 275,000	\$ 46,180	\$ 1,020,081	\$ 1,656,171
Transfer from unrestricted net assets	429,180	355,445	-	-	-	(23,542)	761,083
Internally restricted net assets, March 31, 2018	\$ 677,582	\$ 381,881	\$ 40,072	\$ 275,000	\$ 46,180	\$ 996,539	\$ 2,417,254

	Replacement Reserve	Renovation Reserve	Health and Training Reserves	Infrastructure Reserve	Accommodation Reserve	Capital Reserve	2018 Total
Internally restricted net assets, April 1, 2018	\$ 677,582	\$ 381,881	\$ 40,072	\$ 275,000	\$ 46,180	\$ 996,539	\$ 2,417,254
Transfer from unrestricted net assets	(40,406)	-	-	-	-	-	(40,406)
Internally restricted net assets, March 31, 2019	\$ 637,176	\$ 381,881	\$ 40,072	\$ 275,000	\$ 46,180	\$ 996,539	\$ 2,376,848

Lookout Housing and Health Society
Notes to the Financial Statements

March 31, 2019

15. Donations

	<u>2019</u>	<u>2018</u>
Cash donations	\$ 80,603	\$ 73,586
Donations-in-kind	161,990	166,805
	<u>\$ 242,593</u>	<u>\$ 240,391</u>

16. Commitments

The Society leases office premises and residential buildings under various operating lease arrangements. The required minimum lease payments for base rent until lease maturity are as follows:

2020	\$ 321,169
2021	213,775
2022	70,750
2023	39,600
2024	39,600
2025	39,600
2026	39,600
2027	23,100
	<u>\$ 787,194</u>

In addition, the Society is required to pay property taxes, repairs and maintenance and other costs related to the properties.

March 31, 2019

17. Contingent Liabilities

Under two agreements with BC Housing, BC Housing provided for the funding to the Society to enable the Society to complete building envelope repairs to the Jeffrey Ross Residence and the Jim Green Residence. The funding was comprised partially of repayable subsidies and loans. At the option of BC Housing, the repayable subsidy portion of the funding may be repayable to BC Housing, if any proceeds of litigation are received. There are no litigation proceeds expected and therefore no expectation to repay the subsidies. Accordingly, no liability has been recorded.

18. Subsidy Adjustments

BC Housing conducts an annual review of the financial statements and may adjust for any operating surplus or deficit. Funding adjustments are accrued in the fiscal year they are determined by BC Housing. BC Housing has completed the annual review of the Society's 2018 fiscal year and there was a subsidy overpayment of \$10,085 which was recorded in fiscal 2019. BC Housing has not yet completed its annual review of the Society's 2019 fiscal year. There are no expected significant net obligations to BC Housing related to fiscal 2019.

19. Remuneration of Directors, Employees and Contractors

The Society Act (BC) requires that the Society disclose the total remuneration paid to directors, for either being a director or for acting in another capacity, as well as the total number of employees or contractors with annual remuneration equal to or greater than \$75,000 and the aggregate remuneration of those employees or contractors.

During the years ended March 31, 2019 and March 31, 2018 the amounts paid to the Board of Directors of the Society for acting in their noted capacity was \$nil (2018 - \$nil).

The Society incurred the following for employees and contractors with annual remuneration equal to or greater than \$75,000:

	<u>2019</u>	<u>2018</u>
Number of employees	12	8
Aggregate remuneration	\$ 1,031,211	\$ 752,321
Number of contractors	5	2
Aggregate remuneration	\$ 632,449	\$ 298,765

March 31, 2019

20. Economic Dependence

The Society is economically dependent on grants and operating contracts from British Columbia Housing Management Commission and other government entities. Funding from British Columbia Housing Management Commission represent 56% (2018 - 56%).

21. Funds Held in Trust

The Society administers funds for certain program participants. These funds are held in separate bank accounts by the Society and are not included as assets or liabilities on the statement of financial position. As at March 31, 2019, funds held in trust for participants was \$73,039 (2018 - \$111,488).

22. Subsequent Event

In June 2018, the Society entered into a 60 year lease agreement for 70 units of mixed-income housing from the City of Vancouver for \$3.8 million. The lease agreement requires full payment of \$3.8 million to the City of Vancouver on June 28, 2019. The Society will obtain external financing subsequent to year end to finance this payment. As at March 31, 2019, the Society has accrued \$47,500 related to lease expenses incurred for the year ending March 31, 2019 (Note 7).
