

CORTES COMMUNITY HOUSING SOCIETY
Financial Statements
March 31, 2024

Independent Auditors' Report
Statement of Financial Position
Statement of Changes in Net Assets
Statement of Operations
Statement of Cash Flows
Notes to Financial Statements



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Cortes Community Housing Society

Opinion

We have audited the financial statements of the Cortes Community Housing Society (the "Society"), which comprise the statement of financial position as at March 31, 2024, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

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 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 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 ASNPO, 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.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

Report on Other Legal and Regulatory Requirements

As required by the BC Societies Act, we report that, in our opinion, the accounting principles in ASNPO have been applied on a basis consistent with that of the preceding year.

Chan Nawrood Boates Inc

Chartered Professional Accountants
Campbell River, BC

August 3, 2024

CORTES COMMUNITY HOUSING SOCIETY

Statement of Financial Position

March 31, 2024

2024

2023

ASSETS

Current Assets

Cash	\$ 13,197	\$ -
Short Term Investments (Note 3)	805,668	225,000
Interest Receivable	7,285	1,381
GST Receivable	1,501	11,327
Inventory	-	387
	<u>827,651</u>	<u>238,095</u>

Tangible Capital Assets (Note 4)

<u>1,498,367</u>	<u>1,362,556</u>
\$ <u>2,326,018</u>	\$ <u>1,600,651</u>

LIABILITIES

Current Liabilities

Bank Indebtedness	\$ -	\$ 30,076
Accounts Payable and Accrued Liabilities	7,225	17,732
Deferred Revenue (Note 5)	-	11,005
Loan Payable (Note 6)	100,000	100,000
Promissory Note (Note 7)	135,000	135,000
	<u>242,225</u>	<u>293,813</u>

NET ASSETS

Operating Fund

Capital Fund

820,426	179,282
<u>1,263,367</u>	<u>1,127,556</u>
<u>2,083,793</u>	<u>1,306,838</u>
\$ <u>2,326,018</u>	\$ <u>1,600,651</u>

Approved by:

Elizabeth Anderson

Director

Carol London

Director

CORTES COMMUNITY HOUSING SOCIETY

Statement of Changes in Net Assets

Year Ended March 31, 2024

	Operating Fund	Capital Fund	2024	2023
Net Assets - Beginning of Year	\$ 179,282	\$ 1,127,556	\$ 1,306,838	\$ 1,343,399
Excess (Deficiency) of Revenues over Expenditures	<u>776,955</u>	<u>-</u>	<u>776,955</u>	<u>(36,561)</u>
	956,237	1,127,556	2,083,793	1,306,838
Purchase of Tangible Capital Assets	<u>(135,811)</u>	<u>135,811</u>	<u>-</u>	<u>-</u>
Net Assets - End of Year	\$ <u>820,426</u>	\$ <u>1,263,367</u>	\$ <u>2,083,793</u>	\$ <u>1,306,838</u>

CORTES COMMUNITY HOUSING SOCIETY

Statement of Operations

Year Ended March 31, 2024

2024

2023

Revenues

Donations	\$ 887,841	\$ 2,720
Grants	21,005	48,395
Municipal and Regional District Accommodation Tax Proceeds	8,072	-
Interest and Other	11,838	1,631
	<u>928,756</u>	<u>52,746</u>

Expenditures

Advertising and Promotion	1,510	1,998
Contractors	72,345	45,351
Fundraising	4,498	247
Gifts to Qualified Donees	38,709	-
Insurance	2,036	2,538
Interest and Bank Charges	495	61
Licenses and Dues	245	806
Maintenance	-	2,803
Need and Demand Assessment	-	2,000
Office	1,224	453
Professional Fees	7,000	8,173
Property Taxes	-	2,302
Trail Building	23,739	47,575
	<u>151,801</u>	<u>114,307</u>

Excess (Deficiency) of Revenues over Expenditures from Operations 776,955 (61,561)

Gain on Sale of Tangible Capital Assets (Note 4) - 25,000

Excess (Deficiency) of Revenues over Expenditures \$ 776,955 \$ (36,561)

CORTES COMMUNITY HOUSING SOCIETY

Statement of Cash Flows

Year Ended March 31, 2024

2024

2023

Cash Flows From Operating Activities:

Excess (Deficiency) of Revenues over Expenditures	\$ 776,955	\$ (36,561)
Items not Affecting Cash:		
Gain on Sale of Tangible Capital Assets	-	(25,000)
Changes in Non-Cash Working Capital:		
Accounts Receivable	3,922	(10,910)
Inventory	387	90
Accounts Payable	(10,507)	16,375
Deferred Revenue	(11,005)	11,005
	(17,203)	16,560

Cash Flows From Investing Activities:

Purchase of Tangible Capital Assets	(135,811)	(155,185)
Sale of Tangible Capital Assets	-	200,000
Purchase of GIC	(805,668)	(265,000)
Redemption of GIC	225,000	40,000
	(716,479)	(180,185)

Net Increase (Decrease) in Cash

43,273 (225,186)

Cash (Bank Indebtedness) - Beginning of Year

(30,076) 195,110

Cash (Bank Indebtedness) - End of Year

\$ 13,197 \$ (30,076)

CORTES COMMUNITY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2024

1. Purpose of the Society:

Cortes Community Housing Society (the "Society") is incorporated under the laws of the Societies Act (British Columbia) as a non-profit organization and is a registered charity under the Income Tax Act. The Society is currently developing low cost rental housing for citizens of Cortes Island, BC.

2. Significant Accounting Policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Description of Funds

The Society follows the restricted fund method of accounting. Accordingly, revenues received for each of the specific funds and expenditures incurred by each fund are segregated for accounting and reporting purposes into the following specific funds:

Operating Fund

The Operating Fund accounts for general operations and administrative activities of the Society. This fund reports the assets, liabilities and expenses related to unrestricted contributions received.

Capital Fund

The Capital Fund reports the tangible capital assets held by the Society as well as the revenue and expenses related to those assets.

Revenue Recognition

The Society follows the restricted fund method of accounting for revenue. Externally restricted contributions are reported in the applicable fund when received. Unrestricted contributions are recognized in the operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations, interest and other revenues are recognized in the operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized in the general fund using the deferral method when an appropriate fund does not exist.

Tangible Capital Assets

Tangible capital assets are recorded at cost. Costs directly associated with the development of 965 Beesley Road ("Rainbow Ridge") are capitalized and classified as property under development and are not amortized. Amortization of these costs will begin when the development is complete and the resulting building is put into use.

Financial Instruments

Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value with any unrealized gains or losses reported in the statement of operations.

All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost include cash, short-term investment, and interest and GST receivable. Financial liabilities measured at amortized cost include bank indebtedness, accounts payable, loan payable and promissory note. The Society is exposed to interest-rate and liquidity risk arising from its financial instruments.

CORTES COMMUNITY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2024

2. Significant Accounting Policies (continued):

Use of Estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Those estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year in which they become known.

3. Short Term Investments:

During the year ended March 31, 2024, the Society held the following short term investments:

- \$700,000 in a Coastal Community Credit Union Guaranteed Investment Certificate (GIC) with an interest rate of 2.75% per annum maturing on November 30, 2024.
- \$105,668 in a Coastal Community Credit Union GIC with an interest rate of 4.9% maturing on February 7, 2025.

During the year ended March 31, 2023 the Society held a short term investment of \$225,000 in a Coastal Community Credit Union GIC with an interest rate of 4% per annum that matured on February 3, 2024.

4. Tangible Capital Assets:

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land - 965 Beesley Road	\$ 890,762	\$ -	\$ 890,762	\$ -
671 Sutil Point Road Property	12,795	-	-	-
Property Under Development	<u>594,810</u>	<u>-</u>	<u>471,794</u>	<u>-</u>
	<u>\$ 1,498,367</u>	<u>\$ -</u>	<u>\$ 1,362,556</u>	<u>\$ -</u>
Net Book Value	<u>\$1,498,367</u>		<u>\$1,362,556</u>	

In March 2024, the Society entered into an agreement to purchase a property at 671 Sutil Point Road on Cortes Island. The purchase closed subsequent to year-end on May 30, 2024. During the year ended March 31, 2024, the Society incurred \$12,795 in costs, or paid deposits, directly related to the acquisition of this property which have been capitalized. Amortization of costs associated with this acquisition will commence in fiscal 2025, upon completion of the purchase and the property being put into use by the Society.

Property under development relates to the capitalized costs for work at Rainbow Ridge that is not being amortized as the project is still in the development stage and not completed and in use at year-end. The project is expected to be completed no earlier than the end of fiscal 2025.

During the year ended March 31, 2023 the Society sold land at Gregg Road for proceeds of \$200,000, resulting in a \$25,000 gain on the sale of this asset.

CORTES COMMUNITY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2024

5. Deferred Revenue

	2024	2023
Opening Balance	\$ 11,005	\$ -
Contributions Received	-	59,400
Revenue Recognized	(11,005)	(48,395)
Ending Balance	\$ -	\$ 11,005

Deferred revenue as at March 31, 2023 relates to restricted contributions received from Community Foundations of Canada during the year to fund a trail building initiative that was spent in the current fiscal year and for which a specific restricted fund did not exist.

6. Loan Payable:

A loan in the amount of \$100,000 is payable to an anonymous lender. The loan requires no principle repayments, with interest accruing at 2% per annum, accrued on the principal balance only and is repayable on demand any time after February 10, 2021. The term of the loan may be extended if the lender and borrower mutually agree in writing to extend the term 30 days prior to the repayment date. During the year ended March 31, 2024, interest of \$2,000 related to this loan was capitalized to property under development.

On June 7, 2022, the Society entered into a promissory note agreement with the Greater Vancouver Community Assistance Foundation (through Vancity) for a pre-construction loan in the amount of \$200,000 for the purpose of future affordable rental housing development at Rainbow Ridge. The loan will bear interest at 2% per annum and full repayment (including principal and interest) is required no later than 5 years (60 months) after completion of construction and occupancy. The Society has the option to prepay the principal amount in whole or in part at any time and from time to time, without notice, bonus or penalty. As at March 31, 2024 the pre-construction loan has not been accessed by the Society.

7. Promissory Note:

The promissory note is due on demand and is held with BC Housing and is for \$135,000 and will be repaid to BC Housing, in full, from the proceeds of the initial advance of the approved first mortgage for the Rainbow Ridge project at a rate of 0% per annum.

CORTES COMMUNITY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2024

8. Financial Risks:

The Society is exposed to risk through its financial instruments. The following analysis presents the Society's exposure to significant risk at the reporting date, March 31, 2024:

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 on its loan payable. At present, the Society has fixed interest rates on this loan, thereby mitigating the risk.

Liquidity risk

Liquidity risk is the risk that Society will encounter difficulty in meeting obligations associated with its financial liabilities. The Society believes this risk is mitigated by the fact that the loan payable is held with a local resident of Cortes Island who wishes to see the Society succeed and who would be amenable to the repayment of outstanding balances. Also, the promissory note does not bear interest.

9. Subsequent Event:

In April 2024, the Society received an anonymous donation in the amount of \$1,979,348 through the Cortes Island Community Foundation. The donation is unrestricted in nature and proceeds will be used to fund operations and future capital development.