

Financial Statements of

**PARKGATE COMMUNITY
SERVICES SOCIETY**

And Independent Practitioners' Review Engagement
Report thereon

Year ended December 31, 2019
(Unaudited)



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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Members of Parkgate Community Services Society

We have reviewed the accompanying financial statements of Parkgate Community Services Society, which comprise the statement of financial position as at December 31, 2019, the statements of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Parkgate Community Services Society as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

Langley, Canada

June 3, 2020

PARKGATE COMMUNITY SERVICES SOCIETY

Statement of Financial Position

December 31, 2019, with comparative information for 2018
(Unaudited)

	2019	2018
Assets		
Current assets:		
Cash	\$ 295,907	\$ 197,607
Term deposits (note 2)	916,157	1,104,583
Externally restricted cash (note 3)	56,156	29,551
Accounts receivable (note 4)	43,451	49,032
Prepaid expenses	16,061	15,558
	<u>1,327,732</u>	<u>1,396,331</u>
Term deposits (note 2)	107,618	105,254
Capital assets (note 5)	112,697	97,606
	<u>\$ 1,548,047</u>	<u>\$ 1,599,191</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 315,093	\$ 295,805
Deferred operating contributions (note 7)	56,156	29,551
	<u>371,249</u>	<u>325,356</u>
Net assets:		
Invested in capital assets (note 8(a))	112,697	97,606
Internally restricted (note 9)	845,775	725,000
Unrestricted	218,326	451,229
	<u>1,176,798</u>	<u>1,273,835</u>
	<u>\$ 1,548,047</u>	<u>\$ 1,599,191</u>

See accompanying notes to financial statements.

Approved by the Directors:

_____ Director

_____ Director

PARKGATE COMMUNITY SERVICES SOCIETY

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

(Unaudited)

	2019	2018
Revenue:		
Grants and donations (note 10)	\$ 995,998	\$ 729,375
Other income:		
Child care services	718,947	738,685
Community programs and services	377,416	783,693
Facility rental and sundry	5,817	77,680
Fundraising and special events	36,155	40,521
Interest income	21,844	26,628
	<u>2,156,177</u>	<u>2,396,582</u>
Expenses:		
Accounting	6,122	45,863
Amortization of capital assets	11,615	14,343
Bursaries	1,821	3,519
Computer accessories	19,432	9,748
Contract service fees	7,320	39,831
Insurance	8,742	8,246
Office and sundry	13,586	18,374
Program expenses and supplies	130,633	261,423
Promotion and publicity	12,695	13,246
Transportation	41,171	41,401
Recruitment and training	13,067	19,732
Repairs and maintenance and security	17,752	18,330
Telephone	9,870	8,018
Wages and benefits	1,959,388	1,944,743
	<u>2,253,214</u>	<u>2,446,817</u>
Deficiency of revenue over expenses	\$ (97,037)	\$ (50,235)

See accompanying notes to financial statements.

PARKGATE COMMUNITY SERVICES SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018
(Unaudited)

	Investment in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	2019 Total	2018 Total
Balance, beginning of year	\$ 97,606	\$ 725,000	\$ 451,229	\$ 1,273,835	\$ 1,324,070
Deficiency of revenue over expenses	(11,615)	-	(85,422)	(97,037)	(50,235)
Interfund transfer (note 9)	-	147,481	(147,481)	-	-
Net change in investment in capital assets (note 8(b))	26,706	(26,706)	-	-	-
Balance, end of year	\$ 112,697	\$ 845,775	\$ 218,326	\$ 1,176,798	\$ 1,273,835

See accompanying notes to financial statements.

PARKGATE COMMUNITY SERVICES SOCIETY

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

(Unaudited)

	2019	2018
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (97,037)	\$ (50,235)
Items not involving cash:		
Amortization of capital assets	11,615	14,343
Changes in non-cash operating working capital:		
Accounts receivable	5,582	(5,031)
Prepaid expenses	(503)	(3,817)
Accounts payable and accruals	19,287	6,142
Deferred operating contributions	26,605	10,535
	<u>(34,451)</u>	<u>(28,063)</u>
Investment:		
Purchase of capital assets	(26,706)	(103,677)
Decrease in term deposits	186,062	129,393
	<u>159,356</u>	<u>25,716</u>
Increase (decrease) in cash position	124,905	(2,347)
Cash position, beginning of year	227,158	229,505
Cash position, end of year	<u>\$ 352,063</u>	<u>\$ 227,158</u>
Cash position represented by:		
Cash	\$ 295,907	\$ 197,607
Externally restricted cash	56,156	29,551
	<u>\$ 352,063</u>	<u>\$ 227,158</u>

See accompanying notes to financial statements.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements

Year ended December 31, 2019

(Unaudited)

General:

Parkgate Community Services Society (the "Society") is organized with the objective of providing community based services, recreation, education, community development and health promotion activities through Parkgate Community Centre, the Seymour Youth Centre, and other satellite locations. The Society is a not-for-profit society incorporated under the Society Act (British Columbia). The Society is a registered charitable organization under the Income Tax Act. Accordingly the Society is exempt from income taxes.

The Society is under common control with Parkgate Community Legacy Fund ("Legacy Fund"). The Parkgate Community Legacy Fund is a separate legal entity. Accordingly, the Society's financial statements exclude the financial position and operating results of the Legacy Fund. See note 13.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Term deposits:

Term deposits consist of deposits with terms of maturing of one to three years at the dates of acquisition. Interest income on the savings accounts and term deposit is recorded when earned.

(b) Accounts receivable:

Accounts receivable are measured at fair value on origination.

At year end, the Society assesses whether there are any indications that the carrying value of the receivables may be impaired. For purposes of impairment testing, each individually significant account is assessed individually; the balance of the accounts are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Society determines whether there has been a significant adverse change in the expected timing or amount of future cash flows. When the Society identifies a significant adverse change, it reduces the carrying amount of the receivable to the higher of the amount that could be realized by selling the receivable at the balance sheet date and the present value of the cash flows expected to be generated by holding the receivable.

When the extent of impairment of a previously written down receivable decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment loss is reversed to the extent of the improvement.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life or improve the service potential of an asset are capitalized.

Amortization of capital assets is recorded over their estimated useful lives on the straight-line basis, as follows:

Vehicles	5 years
Furniture and equipment	2 to 5 years

If it is determined that the net carrying amount of the capital asset exceed its long-term service potential, the capital asset is written down to its residual value, if any.

(d) Deferred operating contributions:

Deferred operating contributions represents operating funds received for which the Society has not yet incurred the related expenditures. The Society records an identical amount of its cash as externally restricted funds - cash.

(e) Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions will be recorded as revenue in the statement of operations at a rate corresponding with the amortization rate for the related capital assets.

(f) Revenue recognition:

The Society follows the deferral method of accounting for grants and donations. This method recognizes unrestricted grants and donations as revenue in the year received or receivable, if the amount receivable can be reasonably estimated and collection is reasonably assured. Externally restricted donations and grants are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis, at a rate corresponding with the amortization rate for the related capital assets.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

1. Significant accounting policies (continued):

(f) Revenue recognition (continued):

The Society records all other income such as child care services, community programs, facility rental, and fundraising revenues, as they are earned.

Volunteers contribute a significant amount of time each year to assist the Society in carrying out its programs and services. During the year, 287 (2018 - 286) volunteers contributed 19,054 (2018 - 13,799) hours. Because of the difficulty in determining their fair market value, contributed services of volunteers are not recognized in these financial statements.

(g) Use of estimates:

The preparation of the financial statements requires 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 amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts receivable, the carrying amounts of capital assets, and accounts payable and accrued liabilities. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

2. Term deposits:

Term deposits consist of

	2019	2018
Unrestricted term deposits	\$ 178,000	\$ 484,837
Internally restricted term deposits	845,775	725,000
Total term deposits	1,023,775	1,209,837
Less current portion	(916,157)	(1,104,583)
	\$ 107,618	\$ 105,254

The term deposits are at maturity dates ranging from January 2020 to January 2023 (2018 - January 2019 to January 2023) from the date of acquisition and bear interest from 2.25% to 3.15% (2018 - 1.75% to 2.25%).

3. Externally restricted cash:

Externally restricted cash relating to deferred operating contributions (note 7) which is earmarked to be spent on the subsequent year's programs as follows:

	2019	2018
Federal grants:		
Public Health Agency of Canada		
Community Action Program for Children (CAPC)	\$ 15,446	\$ 16,478
Employment and Social Development Canada		
New Horizons for Seniors Program	-	4,351
District of North Vancouver - Child Care Grant	1,800	-
Early Years Centres - North Shore Community Resources		
Parkgate Playgroup	2,910	2,910
Donations:		
Private	-	4,012
United Way - Family Success by Six Program	-	1,800
United Way - School's Out Program	36,000	-
	\$ 56,156	\$ 29,551

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

4. Accounts receivable:

	2019		2018	
Amount receivable	\$	43,451	\$	49,032
Less allowance for impairment		-		-
	\$	43,451	\$	49,032

5. Capital assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Vehicles	\$ 143,131	\$ 53,175	\$ 89,956	\$ 87,289
Furniture and equipment	215,190	192,449	22,741	10,317
	\$ 358,321	\$ 245,624	\$ 112,697	\$ 97,606

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$18,366 (2018 - \$18,030), consisting amounts for payroll related taxes.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

7. Deferred operating contributions

	2019	2018
Balance, beginning of year	\$ 29,551	\$ 19,016
Less: contributions utilized during year	(29,551)	(19,052)
	-	(36)
Add:		
Federal grants:		
Public Health Agency of Canada		
Community Action Program for Children (CAPC)	15,446	16,478
Employment and Social Development Canada		
New Horizons for Seniors Program	-	4,351
Early Years Centres - North Shore Community Resources		
Parkgate Playgroup	2,910	2,910
Donations, grants and support:		
Private	-	4,048
District of North Vancouver- Childcare Middle Years Grant	1,800	-
United Way of the Lower Mainland - Success by Six	-	1,800
United Way of the Lower Mainland - School's Out Program	36,000	-
Balance, end of year	\$ 56,156	\$ 29,551

8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 112,697	\$ 97,606

(b) Change in net assets invested in capital assets is calculated as follows:

	2019	2018
Deficiency of expenses over revenues:		
Amortization expense of capital assets	\$ (11,615)	\$ (14,343)
	2019	2018
Net change in investment in capital assets:		
Purchase of capital assets	\$ 26,706	\$ 103,677

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

9. Internally restricted net assets:

	2019	2018
A reconciliation of the internally restricted net assets is as follows:		
Internally restricted funds, beginning of year	\$ 725,000	\$ 1,008,702
Operational expenses funded by future operating expenditure reserve	-	(63,702)
Operational expenses, equipment and vehicle purchases funded by program services and equipment replacement reserve	-	(134,000)
Operational expenses funded by technology reserve	-	(16,000)
Operational expenses funded by organizational development reserve	(9,225)	(45,000)
Operational expenses funded by program services reserve	-	(25,000)
Transfer from unrestricted to restricted	130,000	-
Internally restricted funds, end of year	\$ 845,775	\$ 725,000

Allocated for 2020-2023 as follows:

Program services reserve (a)	\$ 5,000	\$ 100,000
Equipment replacement reserve (b)	155,000	-
Technology reserve (c)	28,000	8,000
Future operating expenditure reserve (d)	487,000	587,000
Organizational development (e)	65,775	30,000
New Programming Start-up reserve (f)	105,000	-
	\$ 845,775	\$ 725,000

Expenditures during the current year are based on prior board approval. The board approves a three year spending plan on an annual basis. The 2020-2023 three-year reserve plan was approved by the board of directors at their March 31, 2020 board meeting.

(a) Program services reserve:

The reserve was established to promote the purchase and replacement of project items within the departmental programs but not limited to capital, with the purchase and replacement not being part of the operating budget.

(b) Equipment replacement reserve:

This replacement reserve was set up for future capital replacement and expenses beyond the normal wear and tear on the automotive fleet.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019
(Unaudited)

9. Internally restricted net assets (continued):

(c) Technology reserve:

Specific reserve to support any future technological upgrades, replacements and additions for the Society.

(d) Future operating expenditures reserve:

The financial goals for this reserve are as follows:

1. To establish a reserve to represent three to six months of the Society's annual salary costs in the event that certain anticipated grants are not received;
2. To establish a reserve for potential claims in the unlikely event that the Society is found liable and is required to pay an insurance deductible; and
3. To establish a reserve for management succession and strategic reorganization beyond the normal operating budget.

(e) Organizational Development reserve:

This reserve was established to fund the Society's rebranding project and related website upgrade.

(f) New Programming Start-up reserve:

This reserve was established to fund the Society's expansion of Child Care spaces to the new Lynn-Creek premises that is anticipated to be opening in the 2023 year.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

10. Grants and donations:

Grants and donations are comprised of the following:

	2019	2018
Federal grants:		
Public Health Agency of Canada - Community Action Program for Children (CAPC)	\$ 62,818	\$ 60,066
Employment and Social Development Canada - New Horizons for Seniors Program	4,351	8,888
HRSDC - Canada Summer Jobs Program	26,236	20,535
	<u>93,405</u>	<u>89,489</u>
Provincial grants:		
Ministry of Children and Family Development:		
Supported Child Development Program	24,219	28,141
Early Childhood Development Initiative	11,638	21,438
Child Care Operating Funding Program	101,806	100,028
Child Care Fee Reduction Initiative	89,605	54,268
Wage Enhancement ECE	22,611	-
Ministry of Finance - Gaming Policy and Enforcement Branch:		
Community Gaming Grant	93,464	93,536
Provincial Other	10,871	829
Vancouver Coastal Health Authority - Seniors' Diners' Club and My Parkgate Break	5,320	5,705
	<u>359,534</u>	<u>303,945</u>
Municipal grants:		
District of North Vancouver	464,988	232,916
Donations:		
Corporate	17,424	14,744
Private individuals	8,201	2,764
Service clubs, Associations and Foundations	52,446	85,517
	<u>78,071</u>	<u>103,025</u>
	<u>\$ 995,998</u>	<u>\$ 729,375</u>

The Society's partnership agreement with the North Vancouver Recreation & Culture Commission (NVRC) created a new funding model with the District of North Vancouver effective January 1, 2019. The financial support received from the District of North Vancouver for the 2019 year was increased to \$452,988 (2018 - \$218,616) to replace funding formerly received from the Partner Programs model.

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

11. Credit facility:

The Society has access to an unsecured demand line of credit to a maximum of \$10,000 with the Blue Shore Financial. The facility is unused at December 31, 2019 (2018 - nil).

12. Disclosure of remuneration:

For the fiscal year ended December 31, 2019, the Society paid total remuneration of \$92,855 to one employee who received total annual remuneration of \$75,000 or greater.

The Society did not pay any remuneration to its members of the Board of Directors.

13. Related party transactions:

The Parkgate Community Legacy Fund "Legacy Fund," an entity under common control, was established on June 18, 2008, with initial contributions made from the Society and a designated community donation. The Legacy Fund is tax exempt as a registered charitable organization. The Society periodically contributes to the Legacy Fund, with those funds held by the VanCity Community Foundation. The contributions are permanent gifts to the Legacy Fund, and accordingly they are charged to unrestricted equity as bursary expense of nil (2018 - 1,500).

One of the purposes of the Legacy Fund is to award annual scholarships to Society volunteers. Three awards are presented annually: One (2018 - one) Student Volunteer Award in the amount of \$1,500 (2018 - \$1,500 each); one Al and Jan Argent Award in the amount of \$1,000 (2018 - 750; and one PF Yong Memorial Scholarship in the amount of \$1,500 (2018 - 1,500).

The market value of the Legacy Fund as of December 31, 2019 was \$35,646 (2018 - \$.33,596).

PARKGATE COMMUNITY SERVICES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

14. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society mitigates its liquidity risk by monitoring its operating requirements. The Society prepares budget forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from the prior year.

15. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a Global pandemic by the World Health Organization. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, revenues and/or expenses, which may also have a direct impact on the Society's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the operations is not known at this time.