

Encompass Support Services Society

Financial Statements

For the year ended March 31, 2021

Encompass Support Services Society

Financial Statements

For the year ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Encompass Support Services Society

Qualified Opinion

We have audited the financial statements of Encompass Support Services Society, which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards applicable for Not-For-Profit organizations ("ASNPO").

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified opinion.



INDEPENDENT AUDITOR'S REPORT, continued

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.

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.



INDEPENDENT AUDITOR'S REPORT, continued

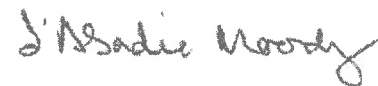
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we 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.

Report on Other Legal and Regulatory Requirements

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

Langley, British Columbia
August 25, 2021



Chartered Professional Accountants



Encompass Support Services Society
Statement of Financial Position

March 31

2021

2020

Assets

Current

Cash (Note 2)	\$ 920,955	\$ 968,095
Investments (Note 3)	201,625	205,175
Accounts receivable	96,624	64,394
Tax rebates recoverable	8,146	15,979
Prepaid expenses and deposits	20,129	29,383

1,247,479 1,283,026

Investments (Note 3) 3,690 3,281

Capital assets (Note 4) 3,047,133 1,054,998

\$ 4,298,302 \$ 2,341,305

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 156,566	\$ 93,135
Accrued wages and benefits payable	315,115	243,965
Government remittances payable	72,459	56,332
Deferred contributions (Note 5)	768,017	388,782
Current portion of long-term debt (Note 6)	36,908	-

1,349,065 782,214

Long-term debt (Note 6) 1,442,017 -

Deferred capital contributions (Note 7) 923,658 990,021

3,714,740 1,772,235

Commitments (Note 8)

Net assets

Internally restricted (Note 9)	15,054	15,379
Invested in capital assets	644,549	64,976
Unrestricted	(76,041)	488,715

583,562 569,070

\$ 4,298,302 \$ 2,341,305

Approved by the Board of Directors:



Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Encompass Support Services Society
Statement of Changes in Net Assets

For the year ended March 31

2021

2020

	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 64,976	\$ 15,379	\$ 488,715	\$ 569,070	\$ 528,434
Excess (deficiency) of revenue over expenses	(28,084)	(325)	42,901	14,492	40,636
Net change in investment in capital assets	607,657	-	(607,657)	-	-
Balance, end of year	\$ 644,549	\$ 15,054	\$ (76,041)	\$ 583,562	\$ 569,070

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Encompass Support Services Society
Statement of Operations

For the year ended March 31

2021

2020

Revenue		
Provincial government contracts	\$ 2,997,977	\$ 2,815,999
Federal government contracts	1,035,546	585,113
Other contracts and grants	556,203	511,778
Donations, program fees, interest and other	170,338	282,246
Amortization of deferred capital contributions (Note 7)	72,468	85,716
	<u>4,832,532</u>	<u>4,280,852</u>
Expenses		
Personnel		
Salaries and wages	2,840,277	2,513,607
Employee benefits	517,493	457,283
Contracted services	172,185	132,570
Meetings and training	12,742	27,555
Honoraria and recognition	5,265	6,222
	<u>3,547,962</u>	<u>3,137,237</u>
Materials		
Program and client support	263,980	184,551
Office, computer and miscellaneous	90,019	77,896
Dues, fees and liability insurance	22,661	11,630
Advertising and fundraising	12,057	11,027
	<u>388,717</u>	<u>285,104</u>
Occupancy costs		
Rent	127,354	168,891
Repairs and maintenance	82,723	62,270
Telephone and internet	36,007	32,149
Interest on mortgage	33,875	-
Utilities	27,975	26,166
Facilities insurance	12,408	4,791
Property taxes	8,362	-
	<u>328,704</u>	<u>294,267</u>
Travel and vehicle	47,959	65,531
Other		
Subcontracted agencies	221,570	208,691
Amortization	100,552	112,952
Professional fees	12,713	25,743
Bank charges and interest	3,940	3,838
Gifts to qualified donees	1,000	35,000
Participant allowances	164,923	71,853
	<u>504,698</u>	<u>458,077</u>
	<u>4,818,040</u>	<u>4,240,216</u>
Excess of revenue over expenses	\$ 14,492	\$ 40,636

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Encompass Support Services Society
Statement of Cash Flows

For the year ended March 31

2021

2020

Cash provided by (used in)

Operating activities

Excess of revenue over expenses	\$ 14,492	\$ 40,636
Adjustment for non-cash items		
Amortization of capital assets	100,552	112,952
Amortization of deferred capital contributions	(72,468)	(85,716)
	<u>42,576</u>	<u>67,872</u>

Changes in non-cash working capital balances

Accounts receivable	(32,230)	(18,644)
Tax rebates recoverable	7,833	(2,463)
Prepaid expenses and deposits	9,254	(21,797)
Accounts payable and accrued liabilities	63,431	(15,983)
Accrued wages and benefits payable	71,150	117,513
Government remittances payable	16,127	(12,918)
Deferred contributions	379,235	210,449
	<u>514,800</u>	<u>256,157</u>

557,376 324,029

Investing activities

Purchase of capital assets	(2,092,687)	(110,594)
Purchase of investments	(202,034)	-
Proceeds on disposition of investments	205,175	409,774
	<u>(2,089,546)</u>	<u>299,180</u>

Financing activities

Repayments of long-term debt	(21,075)	-
Contributions for capital asset purchases	6,105	54,944
Proceeds of long-term debt	1,500,000	-
	<u>1,485,030</u>	<u>54,944</u>

(Decrease) increase in cash during the year

(47,140) 678,153

Cash, beginning of year

968,095 289,942

Cash, end of year

\$ 920,955 \$ 968,095

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Encompass Support Services Society **Notes to Financial Statements**

March 31, 2021

Status of Organization and Activities

Encompass Support Services Society (the "Society") is incorporated under the laws of the Province of British Columbia and operates programs to promote the overall well being, education and poverty reduction of individuals and families in the neighbourhoods of Langley and surrounding communities.

The Society is a non-profit organization and a Registered Charity under the *Income Tax Act* of Canada and is not liable for income taxes.

1. Significant Accounting Policies

(a) Basis of accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and term deposits with a term to maturity of three months or less at the date of acquisition.

(c) Capital assets

Purchased capital assets are stated at cost less accumulated amortization. Contributed assets are recorded at fair value at the date of contribution. Amortization is based on the estimated useful life of the asset commencing in the year the asset is put to use, using the following methods and rates:

Building	- 25 years, straight line
Modular building	- 225 months, straight line
Furniture and equipment	- 10 years straight line
Leasehold improvements	- 2-10 years, straight line
Portable buildings	- 10 years, straight line
Computers and software	- 5 years straight line
Vehicle	- 7 years, straight line

(d) 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 are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to capital assets are included as deferred contributions until spent on the restricted assets. Once the amounts are spent, the amount is transferred to deferred capital contributions and recorded as revenue over the same amortization period as the related capital asset.

Encompass Support Services Society **Notes to Financial Statements**

March 31, 2021

1. Significant Accounting Policies continued

(e) Contributed services and materials

The work of the Society is assisted by the donation of materials and services of many members of the community. Since these items are not normally purchased by the Society, and because of the difficulty determining their fair value, contributed services and materials are not recognized in these financial statements, unless otherwise noted.

(f) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that could 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. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for calculating amortization, and employee wage accruals relating to provision for sick pay liability.

(g) Allocation of expenses

Certain employees perform a combination of program and administrative functions; as a result, salaries and benefits are allocated based on time dedicated to the functional activities. Such allocations are reviewed regularly by management.

(h) Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. 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 for those items subsequently measured at fair value at each reporting date and charged to the financial instrument for those subsequently measured at amortized cost.

(i) Employee future benefits

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

Sick leave also accrues to the Society's employees based on their Union Collective Agreement or employee contract. The cost of these benefits are determined based on years of service, usage, and current wage levels. The obligations under these benefit plans are accrued based on the benefits earned as the employees render the services necessary to earn the future benefits.

(j) Impairment of long-lived assets

In the event that facts and circumstances indicate that the Society's long-lived assets may be impaired, an evaluation of recoverability would be performed.

The Society considers that no circumstances exist that would require such an evaluation.

Encompass Support Services Society
Notes to Financial Statements

March 31, 2021

2. Cash

The Society has an available line of credit facility with Aldergrove Credit Union of \$400,000 at prime plus 1.5%, payable on demand, secured by a charge on land and building located at Eastleigh Crescent, a Commercial Security Agreement covering all present and future assets of the Society, an assignment of deposits with the Aldergrove Credit Union in the amount of \$200,000, and an assignment of rents and insurance proceeds. Utilized at March 31, 2021 \$100,000 (2020 - \$NIL).

3. Investments

	<u>2021</u>	<u>2020</u>
Term deposit (\$200,000) - matured during the year	\$ -	\$ 205,175
Term deposit (\$200,000) - 18 month term, maturing February 2022 and bearing interest of 1.3% per annum	201,625	-
Less amounts due within one year included in current assets	<u>(201,625)</u>	<u>(205,175)</u>
	-	-
Credit union member shares	2,940	2,531
Realize Co-op shares	750	750
	<u>\$ 3,690</u>	<u>\$ 3,281</u>

4. Capital Assets

	<u>2021</u>		<u>2020</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,767,742	\$ -	\$ -	\$ -
Building	350,022	14,001	-	-
Modular building	985,934	157,749	985,934	105,166
Furniture and equipment	128,274	63,311	130,710	59,552
Leasehold improvements	41,265	15,347	109,246	36,862
Portable buildings	58,679	58,679	58,679	58,320
Computers and software	41,741	23,420	40,810	18,458
Vehicles	33,460	27,477	33,460	25,483
	<u>\$ 3,407,117</u>	<u>\$ 359,984</u>	<u>\$ 1,358,839</u>	<u>\$ 303,841</u>
Net book value		<u>\$ 3,047,133</u>		<u>\$ 1,054,998</u>

Encompass Support Services Society
Notes to Financial Statements

March 31, 2021

5. Deferred Contributions

Deferred contributions represent the unexpended amount of contract, grant and donation revenue received for specific purposes held over for use in a future fiscal period. The balance is represented by:

	Opening Balance	Amounts Received	Deferred for Capital	Revenue Recognized	Closing Balance
Provincial government contracts:					
Integrated Youth Services	\$ -	\$ 871,122	\$ (2,509)	\$ (868,613)	\$ -
Sexual Abuse Intervention	-	119,251	-	(119,251)	-
Pregnant & Parenting Youth	-	201,405	-	(201,405)	-
Early Childhood Development	5,188	100,535	-	(88,989)	16,734
Early Years Navigator	5,515	37,481	-	(40,638)	2,358
Residential Resources	13,792	1,360,353	(1,074)	(1,367,358)	5,713
Foundry	-	600,000	-	(185,418)	414,582
Other	35,720	159,716	-	(126,405)	69,031
	<u>60,215</u>	<u>3,449,863</u>	<u>(3,583)</u>	<u>(2,998,077)</u>	<u>508,418</u>
Federal government contracts:					
Community Action for Children	-	230,588	(2,522)	(216,580)	11,486
Canada Prenatal Nutrition	-	115,800	-	(115,800)	-
Youth Employment	119,749	416,427	-	(536,176)	-
Reaching Home	-	166,990	-	(166,990)	-
	<u>119,749</u>	<u>929,805</u>	<u>(2,522)</u>	<u>(1,035,546)</u>	<u>11,486</u>
Other contracts and grants	159,113	551,594	-	(556,103)	154,604
Donations, program fees, interest and other	49,705	214,142	-	(170,338)	93,509
	<u>\$ 388,782</u>	<u>\$ 5,145,404</u>	<u>\$ (6,105)</u>	<u>\$(4,760,064)</u>	<u>\$ 768,017</u>

6. Long-term Debt

	<u>2021</u>	<u>2020</u>
Mortgage payable - 3.95%, renewing August 2025, monthly payments of \$7,850 principal and interest, held with Aldergrove Credit Union, secured by a charge on land and building at Eastleigh Crescent and assignment of rents and insurance proceeds	\$ 1,478,925	\$ -
Less current portion	<u>36,908</u>	-
	<u>\$ 1,442,017</u>	<u>\$ -</u>

Principal payments for the next five years are due as follows:

2022	\$ 36,908
2023	38,380
2024	39,911
2025	41,503
2026	43,158

Encompass Support Services Society
Notes to Financial Statements

March 31, 2021

7. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of contributions used for the purchase of capital assets. Changes are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 990,021	\$ 1,020,793
Contributions used for the purchase of capital assets	6,105	54,944
Amounts amortized to revenue	<u>(72,468)</u>	<u>(85,716)</u>
Balance, end of year	<u>\$ 923,658</u>	<u>\$ 990,021</u>

8. Commitments

The Society has an operating lease for its 64th Avenue premises at \$7,854 per month, under a sublease expiring in October 2023, with no option to renew.

The Society has committed to funding construction upgrades on the land and building acquired during the current year. The estimated cost of the upgrade is \$2,000,000 and construction is expected to commence in the ensuing fiscal year.

9. Internally Restricted Net Assets

Funds totalling \$15,054 (2020 - \$15,379) are remaining from general fundraising activities and have been internally restricted to fund future program enhancements.

Encompass Support Services Society
Notes to Financial Statements

March 31, 2021

10. Employee Future Benefit Plans

The Society and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2020, the Plan has about 220,000 active members, and approximately 112,000 retired members. Active members include approximately 8 contributors from the Society.

The most recent actuarial valuation for the Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits and a balance of \$2,485 million in the rate stabilization account. The next valuation will be December 31, 2021, with results available in 2022.

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.

The Society paid \$29,829 for employer contributions to the Plan in fiscal 2021 (2020 - \$23,924).

11. Remuneration

During the year ended March 31, 2021, the amounts paid to the Board of Directors of the Society for acting their noted capacity was \$ NIL. A total of 7 employees or contractors received remuneration in excess of \$75,000 which resulted in total compensation of \$627,456.

Encompass Support Services Society

Notes to Financial Statements

March 31, 2021

12. Financial Instruments

Liquidity risk:

The Society is exposed to this risk mainly in respect of its timely receipt of funds from government agencies and other related sources, and accounts payable. The Society's objective is to have sufficient liquidity to meet its liabilities when due. The Society monitors its cash balances and cash flows generated from operations to meet its requirements, and prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary. Except where otherwise noted, management is of the opinion that in the normal course of operations the Society has sufficient cash resources to meet its liabilities when due.

Maintaining a debt service coverage ratio of greater than 1:1 is required as part of the Society's credit facility agreement with Aldergrove Credit Union. Debt service coverage means earnings before interest and amortization, divided by all principal and interest payments.

Currency and credit risk:

The Society has cash deposited with a major chartered bank where deposits of up to \$100,000 are insured. The Society has deposited excess cash and investments with credit unions where deposits are insured by the Province of British Columbia. The Society has accounts receivable from governments and reputable community partners for services performed. The Society is not exposed to significant currency or credit risks because it does not transact in foreign currencies and its primary funders are the Government of Canada and the Province of British Columbia.

Interest rate risk:

The Society is exposed to cash flow risk through the floating rate on cash deposits and has mitigated its exposure by investing excess cash in fixed rate term deposits.

The above mentioned risks have not changed from the prior year.

13. Economic Dependence

The Society receives the majority of its funding from the Province of British Columbia through its various ministries, authorities and contractors. The continuation of the majority of programs is dependent upon the continued funding from these sources. For the year ended March 31, 2021, 67% (2020 - 67%) of the Society's funding came from these sources.

14. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration of the COVID-19 measures is unknown at this time and it is not possible to reliably estimate any potential future effect this may have on the Society's operations or net assets.