Financial Statements of

HULITAN FAMILY AND COMMUNITY SERVICES SOCIETY

And Independent Auditor's Report thereon

Year ended March 31, 2023

KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITOR'S REPORT

To the Members of Hulitan Family and Community Services Society

Report on the Financial Statements

We have audited the financial statements of Hulitan Family and Community Services Society (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, 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.

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 auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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 (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
August 15, 2023

HULITAN FAMILY AND COMMUNITY SERVICES SOCIETY

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash (note 4)	$ 151,534	$ 88,586
Term deposits (note 4)	730,000	30,000
Accounts receivable	80,277	9,045
Inventory	11,534	19,791
Prepaid expenses	100,309	62,822
	1,073,654	210,244
Capital assets (note 5)	1,976,259	2,025,097
	$ 3,049,913	$ 2,235,341
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 193,119	$ 102,302
Deferred revenue	839,437	68,675
Current portion of mortgage payable (note 7)	33,436	31,210
	1,065,992	202,187
Mortgage payable (note 7)	1,911,288	1,944,724
Net assets:		
Unrestricted	41,098	39,267
Invested in capital assets	31,535	49,163
	72,633	88,430
	$ 3,049,913	$ 2,235,341

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Director

Director

HULITAN FAMILY AND COMMUNITY SERVICES SOCIETY

Statement of Operations

Year ended March 31, 2023 with comparative information for 2022

	2023	2022
Revenue:		
Grants	$ 2,235,265	$ 2,117,551
Rental	5,595	-
SWAG sales	6,915	-
	2,247,775	2,117,551
Expenses:		
Salaries and benefits	1,658,091	1,543,221
Program expenses	123,939	168,613
Office	85,542	97,102
Amortization	79,423	105,304
Interest on mortgage	67,662	68,756
Training	54,005	37,728
Technical support	47,762	36,920
Mortgage and services	46,069	39,301
Travel	37,599	35,112
Property taxes	27,456	-
Telephone	25,365	21,940
Insurance	7,661	6,040
Security	2,130	2,130
Bank charges	868	1,024
	2,263,572	2,163,191
Deficiency of revenue over expenses before undernoted items	(15,797)	(45,640)
Child care:		
Capital grant earned	334,586	-
Capital expenses incurred	(334,586)	-
Deficiency of revenue over expenses	$ (15,797)	$ (45,640)

The accompanying notes are an integral part of these financial statements.

HULITAN FAMILY AND COMMUNITY SERVICES SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2023 with comparative information for 2022

	Unrestricted	Invested in capital assets	Total 2023	Total 2022
Balance, beginning of year	$ 39,267	$ 49,163	$ 88,430	$ 134,070
Excess (deficiency) of revenue over expenses	63,626	(79,423)	(15,797)	(45,640)
Purchase of capital assets	(30,585)	30,585	-	-
Repayment of mortgage principal	(31,210)	31,210	-	-
Balance, end of year	$ 41,098	$ 31,535	$ 72,633	$ 88,430

The accompanying notes are an integral part of these financial statements.

HULITAN FAMILY AND COMMUNITY SERVICES SOCIETY

Statement of Cash Flows

Year ended March 31, 2023 with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (15,797)	$ (45,640)
Adjustments for non-cash items:		
Amortization of capital assets	79,423	105,304
	63,626	59,664
Changes in non-cash working capital balances:		
Accounts receivable	(71,232)	2,749
Inventory	8,257	(19,791)
Prepaid expenses	(37,487)	(27,520)
Accounts payable and accrued liabilities	90,817	3,512
Deferred revenue	770,762	5,300
	824,743	23,914
Investing:		
Capital asset purchases	(30,585)	(26,537)
Purchase of term deposits	(700,000)	-
	(730,585)	(26,537)
Financing:		
Repayment of mortgage principal	(31,210)	(30,116)
	(31,210)	(30,116)
Increase (decrease) in cash	62,948	(32,739)
Cash, beginning of year	88,586	121,325
Cash, end of year	$ 151,534	$ 88,586

The accompanying notes are an integral part of these financial statements.

1. Operations:

The mission of the Hulitan Family and Community Services Society (the "Society"), as adopted by the Board of Directors, is as follows:

The purpose of the Society is to provide social and emotional support to Aboriginal children, youth and their families living in the Capital Regional District while ensuring families and youth have access to culturally appropriate programs and services regardless of financial ability.

The Constitution of the Society does not permit the distribution of funds to the members. In the event of winding-up, the Society's assets shall be distributed to a recognized charitable organization in Canada with similar objectives or to one or more recognized charitable organizations in Canada. The Society is also part of Commission on Accreditation of Rehabilitation Facilities (CARF) International.

The Society is a registered charity and it is incorporated under the Societies Act of British Columbia. As a registered charity, the Society is not subject to income taxes under section 149(1)(f) of the Canadian Income Tax Act. The Society remains in good standing with the Canada Revenue Agency.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. 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.

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition of asset and other incidental costs required to enable use of the asset. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing once put into use.

Estimated useful lives of capital assets are as follows:

Asset	Rate
Building	35 years
Computer equipment	3 years
Office equipment	5 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(d) Financial instruments:

The Society's financial instruments consist of cash, term deposits, accounts receivable and accounts payable and accrued liabilities and mortgage payable. Financial instruments are recorded at fair value when acquired or Issued. Subsequent to initial recognition, all financial instruments are recorded at cost or amortized cost less impairment, if applicable. The Society does not currently hold instruments that are required to be carried at fair value.

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 capitalized to the financial instrument for those measured at amortized cost.

(e) Inventory:

Inventory consists of items held for resale and are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. Cost is determined using the weighted average cost method, based on individual products.

2. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements 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. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the period in which they become known. Actual results could differ from management's best estimates as additional information becomes available in the future. Estimates included in these financial statements are the estimate of useful lives of capital assets in the calculation of amortization.

3. Economic dependence:

The Society received 85% (2022 - 78%) of its revenue from the Ministry of Children and Family Development, British Columbia and remains dependent upon this funding.

4. Cash and term deposits:

The Society's bank accounts are held at one chartered bank. The bank account earns interest on a tiered rate based on the balance.

The Society has a line of credit with its bank which allows it to borrow up to a maximum of $100,000 at an interest rate of prime plus 1.50%. At March 31, 2023, the Society had not drawn any of the amount available.

The Society holds two term deposits of $30,000 and $700,000 (2022 - $30,000) which earn interest at 2.6% and 3.2% (2022 - 0.25%) and mature on November 16, 2023 and September 2, 2023 respectively.

Included in cash and term deposits and deferred revenue is $828,434 restricted for expenditures relating to the construction of a Child Care facility in conjunction with the Project Management Agreement with School District No. 62 (Sooke).

5. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Building	$ 2,071,722	$ 161,319	$ 1,910,403	$ 1,945,355
Computer equipment	123,347	104,085	19,262	11,872
Leasehold improvements	-	-	-	17,104
Office equipment	81,374	34,780	46,594	50,766
	$ 2,276,443	$ 300,184	$ 1,976,259	$ 2,025,097

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $27,986 (2022 - $19,362).

7. Mortgage payable:

	2023	2022
Mortgage payable to M'akola Development Services Society payable in monthly instalments of $8,330, including interest, at 3.45% per annum, due June 1, 2055, secured by an assignment of rents	$ 1,944,724	$ 1,975,934
Less current portion	33,436	31,210
	$ 1,911,288	$ 1,944,724

Future principal payments required on the mortgage payable are as follows:

2024	$ 33,436
2025	34,608
2026	35,821
2027	37,076
Thereafter	1,803,783
	$ 1,944,724

8. Financial risks and concentration of risk:

(a) 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. Financial instruments that potentially subject the Society to significant concentrations of credit risk consist primarily of cash and accounts receivable.

Bad debts for the past five years have been minimal and the allowance for doubtful accounts is $nil at March 31, 2023 and 2022. At March 31, 2023, there were no accounts receivables outstanding more than 90 days. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements, receivable primarily from the provincial government.

(b) Liquidity risk:

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

8. Financial risks and concentration of risk (continued):

(c) Interest rate risk:

The Society's term deposits and mortgage bear interest at a fixed interest rate. It is exposed to interest rate risk at the refinancing date. The Society's undrawn line of credit bears interest at a floating interest rate.

9. Remuneration of directors, employees and contractors:

The Societies Act of British Columbia requires that the Society disclose the total remuneration paid to the 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 / contractors.

During the year ended March 31, 2023 there was no remuneration paid to the directors of the Society. Two (2022 - one) employees/contractors received remuneration in excess of $75,000 which resulted in an aggregate expenditure of $172,348 (2022 - $92,700).