

**LADYSMITH RESOURCES CENTRE ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2023**

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**LADYSMITH RESOURCES CENTRE ASSOCIATION**  
**Financial Statements**  
**Year Ended March 31, 2023**

**LADYSMITH RESOURCES CENTRE ASSOCIATION**  
**Index to Financial Statements**  
**Year Ended March 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Ladysmith Resources Centre Association

*Report on the Financial Statements*

*Opinion*

We have audited the financial statements of Ladysmith Resources Centre Association (the Association), which comprise the statement of financial position as at March 31, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2023, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with 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.

*Emphasis of Matters*

We draw attention to Notes 17, 19, 21 and 22 to the financial statements, in which two items have been disclosed. The first is the subsequent event regarding tenanting the Buller Street apartment project and the economic dependence this project has on obtaining sufficient rental income to satisfy financial obligations under the mortgage agreement with BC Housing. The second is the Association being named as a defendant in a Human Rights Complaint alongside BC Housing and the Ministry of Social Development and Poverty Reduction and the President's daughter being a named complainant in this lawsuit. Our opinion is not modified in respect of either of these matters.

*(continues)*

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Independent Auditor's Report to the Members of Ladysmith Resources Centre Association *(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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

*(continues)*

Independent Auditor's Report to the Members of Ladysmith Resources Centre Association *(continued)*

A handwritten signature in black ink, appearing to read "Palmer J. J. J.", written in a cursive style.

Duncan, British Columbia  
October 30, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

**LADYSMITH RESOURCES CENTRE ASSOCIATION**

**Statement of Financial Position**

**March 31, 2023**

	Operating Fund	Gaming Fund	Internally Restricted Fund	Total 2023	Total 2022
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash (Note 3)	\$ 562,157	\$ 64,900	\$ 151,578	\$ 778,635	\$ 1,275,715
Restricted cash (Note 3)	-	7,611	-	7,611	7,606
Accounts receivable	963,397	-	-	963,397	648,124
Inventory	20,724	-	-	20,724	3,500
Goods and services tax recoverable	296,375	-	-	296,375	269,395
Prepaid expenses	33,919	-	-	33,919	3,882
Deposits (Note 5)	29,500	-	-	29,500	31,911
	1,906,072	72,511	151,578	2,130,161	2,240,133
TANGIBLE CAPITAL ASSETS (Net of accumulated amortization) (Note 6)	12,310,853	-	-	12,310,853	6,487,436
LONG TERM INVESTMENTS (Note 4)	27,125	-	-	27,125	26,989
DEPOSIT - TOWN OF LADYSMITH (Note 7)	-	-	226,862	226,862	231,770
	<u>\$ 14,244,050</u>	<u>\$ 72,511</u>	<u>\$ 378,440</u>	<u>\$ 14,695,001</u>	<u>\$ 8,986,328</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT</b>					
Accounts payable and accrued expenses	\$ 1,038,964	\$ -	\$ -	\$ 1,038,964	\$ 823,152
Wages payable	63,876	-	-	63,876	53,501
Employee deductions payable	18,584	-	-	18,584	17,235
Deferred contributions (Note 8)	655,196	64,900	-	720,096	903,729
Gaming prize liability	-	7,611	-	7,611	7,606
	1,776,620	72,511	-	1,849,131	1,805,223
CAPITAL PROJECT FINANCING (Note 9)	11,491,661	-	-	11,491,661	6,093,074
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	353,591	-	-	353,591	91,329

*(continues)*

The accompanying notes form an integral part of these financial statements

**LADYSMITH RESOURCES CENTRE ASSOCIATION**

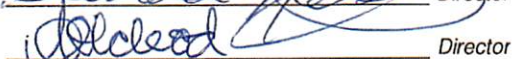
**Statement of Financial Position (continued)**

**March 31, 2023**

	Operating Fund	Gaming Fund	Internally Restricted Fund	Total 2023	Total 2022
	13,621,872	72,511	-	13,694,383	7,989,626
<b>NET ASSETS</b>					
Interfund transfer required	-	-	-	-	-
Unrestricted	(197,014)	-	-	(197,014)	223,901
Invested in capital assets (Note 11)	819,192	-	-	819,192	394,361
Internally restricted (Note 14)	-	-	378,440	378,440	378,440
	622,178	-	378,440	1,000,618	996,702
	\$ 14,244,050	\$ 72,511	\$ 378,440	\$ 14,695,001	\$ 8,986,328

**ON BEHALF OF THE BOARD**

 Director

 Director

The accompanying notes form an integral part of these financial statements

**LADYSMITH RESOURCES CENTRE ASSOCIATION**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2023**

	Operating Fund	Gaming Fund	Internally Restricted Fund	Invested in Capital Assets	2023	2022
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 223,901	\$ -	\$ 378,440	\$ 394,361	\$ 996,702	\$ 1,001,716
Excess (deficiency) of revenue over expenses <i>(Note 12)</i>	33,965	-	-	(30,049)	3,916	(5,013)
Net change in investment in capital assets <i>(Note 13)</i>	(454,880)	-	-	454,880	-	-
<b>NET ASSETS - END OF YEAR <i>(Note 11)</i></b>	\$ (197,014)	\$ -	\$ 378,440	\$ 819,192	\$ 1,000,618	\$ 996,703

The accompanying notes form an integral part of these financial statements



# LADYSMITH RESOURCES CENTRE ASSOCIATION

## Statement of Operations

Year Ended March 31, 2023

	Operating Fund	Gaming Fund	Internally Restricted Fund	Total 2023 March 31	Total 2022 March 31
	March 31	March 31	March 31	March 31	March 31
<b>REVENUES</b>					
BC Government grants	\$ 928,664	\$ 64,900	\$ -	\$ 993,564	\$ 928,832
Donations and fundraising revenue	173,181	15,337	-	188,518	173,940
Federal grants	68,550	-	-	68,550	53,044
Foundation and charitable grants	142,466	-	-	142,466	108,867
Interest revenue	734	-	-	734	1,546
Municipal grants	25,952	-	-	25,952	41,927
Other revenue	12,875	-	-	12,875	6,693
Recovered costs	9,268	-	-	9,268	9,734
	<u>1,361,690</u>	<u>80,237</u>	<u>-</u>	<u>1,441,927</u>	<u>1,324,583</u>
<b>EXPENSES</b>					
Building	4,908	-	-	4,908	4,908
Communications	-	-	-	-	10,377
Contractor and consulting fees	18,928	-	-	18,928	16,272
Fundraising	2,625	1,000	-	3,625	-
General administrative costs	7,002	216	-	7,218	3,801
Insurance	14,019	-	-	14,019	11,134
Occupancy and maintenance	4,532	17,385	-	21,917	24,878
Office	11,020	-	-	11,020	13,606
Professional fees	43,295	2,620	-	45,915	53,551
Program costs	160,869	18,336	-	179,205	135,411
Salaries and wages	1,030,631	40,680	-	1,071,311	989,286
Travel	8,562	-	-	8,562	7,811
Utilities	21,334	-	-	21,334	23,638
	<u>1,327,725</u>	<u>80,237</u>	<u>-</u>	<u>1,407,962</u>	<u>1,294,673</u>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>33,965</b>	<b>-</b>	<b>-</b>	<b>33,965</b>	<b>29,910</b>

(continues)

The accompanying notes form an integral part of these financial statements

**LADYSMITH RESOURCES CENTRE ASSOCIATION**

**Statement of Operations *(continued)***

**Year Ended March 31, 2023**

	Operating Fund	Gaming Fund	Internally Restricted Fund	Total 2023	Total 2022
	<i>March 31</i>	<i>March 31</i>	<i>March 31</i>	<i>March 31</i>	<i>March 31</i>
AMORTIZATION <i>(Note 12)</i>	(30,049)	-	-	(30,049)	(34,923)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ 3,916</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,916</b>	<b>\$ (5,013)</b>

The accompanying notes form an integral part of these financial statements

# LADYSMITH RESOURCES CENTRE ASSOCIATION

## Statement of Combined Cash Flows

Year Ended March 31, 2023

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 3,916	\$ (5,013)
Item not affecting cash:		
Amortization of capital assets	30,049	34,923
	<u>33,965</u>	<u>29,910</u>
Changes in non-cash working capital:		
Accounts receivable	(315,273)	(526,875)
Inventory	(17,224)	-
Accounts payable and accrued expenses	215,817	668,601
Deferred contributions	(183,633)	516,166
Prepaid expenses	(30,037)	20,522
Goods and services tax recoverable	(26,980)	(261,497)
Deposits	2,411	2,589
Wages payable	10,375	4,644
Employee deductions payable	1,349	1,054
Deferred capital contributions	296,159	-
Gaming prize liability	-	3
	(47,036)	425,207
Cash flow from (used by) operating activities	<u>(13,071)</u>	<u>455,117</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(1,315)	(60,407)
Construction of Buller Street Apartment Project	(5,852,152)	(5,245,634)
Interest on long term investment	(135)	-
Short term investment reclassified to long term	-	(26,989)
Cash flow used by investing activities	(5,853,602)	(5,333,030)
<b>FINANCING ACTIVITIES</b>		
Transfer to Town of Ladysmith (Note 7)	4,908	4,908
BCHMC interim construction financing	5,364,690	5,245,634
Cash flow from financing activities	<u>5,369,598</u>	<u>5,250,542</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	(497,075)	372,629
Cash - beginning of year	1,283,321	910,692
<b>CASH - END OF YEAR</b>	\$ 786,246	\$ 1,283,321
<b>CASH CONSISTS OF:</b>		
Cash	\$ 778,635	\$ 1,275,715
Restricted cash	<u>7,611</u>	<u>7,606</u>
	<u>\$ 786,246</u>	<u>\$ 1,283,321</u>

The accompanying notes form an integral part of these financial statements

# LADYSMITH RESOURCES CENTRE ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2023

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### 1. DESCRIPTION OF ASSOCIATION

Ladysmith Resources Centre Association ("The Association") is an organization established to coordinate, facilitate and provide community services and information in order to enhance the quality of life in the community of Ladysmith and the surrounding area. The Association was incorporated July 22, 1992 under the Societies Act of B.C. as a not-for-profit organization and is a registered charity under the Income Tax Act. The Association is exempt from income tax as long as certain conditions are met. The Association may issue charitable tax receipts to donors.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Accounting standards

These financial statements have been prepared in accordance with standards established by the Canadian Chartered Professional Accountants for Not-for-Profit Organizations which is one of the financial frameworks included in Canadian Generally Accepted Accounting Standards.

#### Fund accounting

Ladysmith Resources Centre Association follows the deferral method of accounting for contributions.

The Operating Fund accounts for the Association's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Gaming Funds reports the assets, liabilities, revenues and expenses related to the Association's bingo operations and other gaming funds.

#### Revenue recognition

Ladysmith Resources Centre Association follows the deferral method of accounting for contributions, which includes donations and government grants.

Externally restricted contributions 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 basis and rate corresponding with the amortization of the related 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.

Rental revenue is recognized as revenue when earned if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fees for services are recognized when services are delivered.

#### Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of food supplies. It is estimated that there is \$19,367 of donated non-perishable food on hand at March 31, 2023, (\$26,547 - 2022) the value of which has not been recognized in these financial statements.

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## LADYSMITH RESOURCES CENTRE ASSOCIATION

### Notes to Financial Statements

Year Ended March 31, 2023

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### Contributed materials and services

The operations of the Association depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated equipment and materials are recorded in the financial statements when their fair value can be reasonably determined and they are used in the normal course of operations and would have been purchased.

Contributed services are not recorded in the financial statements because of the difficulty in determining the fair value of the services provided.

##### Capital assets

Capital assets are stated at cost less accumulated amortization. Contributed assets are recorded at fair market value at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments which extend the estimated useful life of an asset are capitalized. The tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Buller Street Land		non-amortizable
Buller Street Development	35 years	straight-line method
Equipment	20%	declining balance method
Motor vehicles	20%	declining balance method
Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	3 years	straight-line method

The Association regularly reviews its property and equipment for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Association. If such conditions exist an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

##### Allocation of expenses

The Association engages in various programs. The costs of each program include the costs of personnel, building and other expenses that are directly related to providing the program. The Association also includes a number of general support expenses that are common to the administration of the Association and each of its programs.

The Association allocates certain of its general support expenses by estimating the appropriate basis of allocating each component expense, and applies that basis consistently each year. Building expenses are allocated on the basis of the contractual budgets of each fund.

##### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates related to the determination of useful lives of capital assets for amortization, valuation of receivables, accrued liabilities, and provision for contingencies. Actual results could differ from these estimates.

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**LADYSMITH RESOURCES CENTRE ASSOCIATION****Notes to Financial Statements****Year Ended March 31, 2023****3. CASH AND RESTRICTED CASH**

The Association's bank accounts are held at one credit union. Deposits at the credit union are insured by the Province of British Columbia.

Cash and restricted cash in the Gaming Fund relates to the unallocated balance of funds of the Association's Gaming accounts and may be utilized only for program purposes as approved by the B.C. Gaming Commission from time-to-time.

Cash in the Internally Restricted Fund relates to balances the Board has internally restricted to support the Community Kitchen/Food Security programs, and the Contingency Reserve Fund (Note 7).

**4. TERM DEPOSIT**

	<b>2023</b>	<b>2022</b>
Term Deposit - interest rate 0.05%, matures January 18, 2025	<b>\$ 27,125</b>	<b>\$ 26,989</b>

**5. DEPOSITS**

	<b>2023</b>	<b>2022</b>
Town of Ladysmith - Landscaping Bond	<b>\$ 29,500</b>	<b>\$ 29,500</b>
BC Hydro - Design Deposit	<b>-</b>	<b>2,411</b>
	<b>\$ 29,500</b>	<b>\$ 31,911</b>

**6. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2023 Net book value</b>	<b>2022 Net book value</b>
Buller Street Land	\$ 312,291	\$ -	\$ 312,291	\$ 312,291
Buller Street Development	11,945,226	-	11,945,226	6,093,074
Equipment	37,887	18,938	18,948	22,737
Motor vehicles	46,206	39,837	6,369	7,961
Computer equipment	63,987	58,374	5,613	10,354
Furniture and fixtures	83,424	78,365	5,059	6,324
Leasehold improvements	52,042	34,695	17,347	34,695
	<b>\$ 12,541,063</b>	<b>\$ 230,209</b>	<b>\$ 12,310,853</b>	<b>\$ 6,487,436</b>

Amortization expense for the year was \$30,049 (2022 - \$34,923)

# LADYSMITH RESOURCES CENTRE ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2023

### 7. DEPOSIT - TOWN OF LADYSMITH

The Association has entered into an agreement with the Town of Ladysmith ("Town") to lease a facility. Under the terms of the agreement the Association has agreed to pay the Town annual rent of \$10 per annum commencing June 1, 2011. The term of the lease is for five years with up to seven options to renew for five years each. The current term renews in 2026.

As part of the agreement, the Association was required to deposit \$363,000 with the Town. The Town transfers \$409 each month from the \$363,000 deposit to a Contingency Reserve Fund owned by the Town, in order to set aside funds for the future replacement of major interior building elements including mechanical, HVAC, electrical building systems, fixtures and flooring.

In 2016, the Association received an additional lump sum payment of \$75,000 to help with expenses. This amount will reduce the overall funding committed from the Town of Ladysmith.

	2023	2022
Opening balance	\$ 231,770	\$ 236,678
Transfer to Contingency Reserve Fund	(4,908)	(4,908)
	<u>\$ 226,862</u>	<u>\$ 231,770</u>

Principal repayment terms are approximately:

2024	\$ 4,908
2025	4,908
2026	<u>217,046</u>
	<u>\$ 226,862</u>

### 8. DEFERRED CONTRIBUTIONS

The Association receives funding for various programs. Some of this funding is received in advance of the delivery of services under these various programs. The balance of this funding consists of:

	Balance, beginning of year	Current year contributions received (reallocated)	Amounts recognized as revenue	Balance, end of year
Contracts and grants	\$ 65,758	\$ 74,713	\$ (89,524)	\$ 50,947
Community gaming grants	64,900	64,900	(64,900)	64,900
Buller Street project contributions	348,734	(317,295)	-	31,439
Program fund contributions	424,337	1,413,079	(1,264,606)	572,810
	<u>\$ 903,729</u>	<u>\$ 1,235,397</u>	<u>\$ (1,419,030)</u>	<u>\$ 720,096</u>

**LADYSMITH RESOURCES CENTRE ASSOCIATION****Notes to Financial Statements****Year Ended March 31, 2023****9. CAPITAL PROJECT FINANCING**

The Association has secured interim construction financing and takeout financing with British Columbia Housing Management Commission ("BCHMC") for the purposes of the construction of 36 residential units at 314 Buller Street, Ladysmith for households with low and moderate incomes.

The BCHMC financing includes a forgivable mortgage in the amount of \$3,819,240 and the advancement of \$8,884,347 by way of interim construction financing and takeout financing.

In addition, Canada Mortgage and Housing Corporation ("CMHC") has also committed to providing a forgivable loan of \$524,953.62.

The construction of the development was completed in March 2023 and a mortgage in the amount of \$6,905,408 has been funded at 4.23% as of August 1, 2023 with a 10 year term and a 35 year amortization requiring payments of \$31,380.74 per month.

	Maximum Funding Amount	2023	2022
Due to British Columbia Housing Management Commission (BCHMC)	\$ 12,703,587	\$ 11,491,661	\$ 6,093,074

**10. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent both the unamortized value of capital assets donated to the Association and contributions received for the acquisition of capital assets. The changes in deferred capital contributions for the year are as follows:

	2023	2022
Balance, beginning of year	\$ 91,329	\$ 26,526
Capital contributions received	317,295	85,939
Transfer to capital project financing	(33,897)	-
Amortization of deferred capital contributions	(21,136)	(21,136)
Balance, end of year	\$ 353,591	\$ 91,329

**11. INVESTED IN CAPITAL ASSETS (A)**

	2023	2022
Invested in capital assets is calculated as follows:		
Capital assets	\$ 12,310,853	\$ 6,487,435
Amounts financed by:		
Interim construction financing from BCHMC	(11,491,661)	(6,093,074)
	\$ 819,192	\$ 394,361

**12. INVESTED IN CAPITAL ASSETS (B)***(continues)*



**LADYSMITH RESOURCES CENTRE ASSOCIATION**

**Notes to Financial Statements**

**Year Ended March 31, 2023**

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12. INVESTED IN CAPITAL ASSETS (B) *(continued)*

	<u>2023</u>	<u>2022</u>
	<u>2023</u>	<u>2022</u>
Deficiency of revenue over expenses in capital assets:		
Amortization	\$ (30,049)	\$ (34,923)

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13. INVESTED IN CAPITAL ASSETS (C)

	<u>2023</u>	<u>2022</u>
Change in net assets invested in capital assets		
Purchase of new capitalized assets net of deferred revenues	\$ 454,880	\$ 60,406

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14. INTERNALLY RESTRICTED FUND BALANCE

The Board of Directors has internally restricted \$51,578 (2022 - \$46,670) as a contingency fund for the future repair and maintenance of the leased building and \$226,862 (2022 - \$231,770) related to the funds on deposit with the Town of Ladysmith (Note 7). The Board has also internally restricted \$100,000 (2022 - \$100,000) to support the Community Kitchen/Food Security programs. Total internally restricted net assets are \$378,440 (2022 - \$378,440).

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15. COMMITMENTS

In the ordinary course of business, the Association has entered into various contractual arrangements with service providers. These contracts have various terms and lengths. The minimum annual commitments for the next five years are as follows:

2024	\$ 1,277
2025	1,277
2026	1,277
2027	1,277
2027 onwards	<u>319</u>
	<u>\$ 5,427</u>

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16. DISCLOSURE OF EMPLOYEE, CONTRACTOR, AND DIRECTOR REMUNERATION

The Societies Act (British Columbia) requires the disclosure of remuneration paid by the Association to employees and contractors whose remuneration was at least \$75,000 and any amounts of remuneration paid by the Association to directors.

For the fiscal year ended March 31, 2023, the Association did not pay any individual employees for services for annual remuneration of \$75,000 or greater, no remuneration of \$75,000 or greater was paid to contractors for services, and no remuneration was paid to any members of the Board.

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## LADYSMITH RESOURCES CENTRE ASSOCIATION

### Notes to Financial Statements

Year Ended March 31, 2023

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#### 17. ECONOMIC DEPENDENCE

The Association receives the majority of its funding from contracts with the Province of British Columbia through its various ministries and crown corporations, which provide funds for specific programs that offer services that benefit the community. The continuation of the majority of programs is dependent upon the continued funding from these sources. For the year ended March 31, 2023 65% (2022 - 64%) of the Association's funding came from the Provincial Government.

The BC Housing agreement for the Buller Street apartment project requires the Association to tenant the Building within specific parameters. Failure to place tenants who will pay rents within the parameters of the BC Housing agreement for this project could result in the loss of BC Housing funding for the Buller Street apartment project, and potentially the removal of the project from the Association's programs. Currently all the units have been tenanted within the BC Housing parameters and sufficient rents are being collected.

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#### 18. FINANCIAL RISKS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2023.

##### Liquidity risk

Liquidity risk is the risk that the Association will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its cash balances and cash flows generated from operations to ensure it has sufficient funds to fulfill its obligations.

##### Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has an insignificant number of customers which minimizes credit risk.

##### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-interest and non-interest bearing financial instruments are subject to changes in fair value while floating rate financial instruments are subject to fluctuations in cash flows. The Association is exposed to interest rate risk through the floating rate on cash deposits and fair value risk through the fixed rate on the term loan. The Association is also exposed to interest rate risk due to the requirement to obtain a mortgage to finance the Buller Street Project.

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## **LADYSMITH RESOURCES CENTRE ASSOCIATION**

### **Notes to Financial Statements**

**Year Ended March 31, 2023**

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#### **19. RELATED PARTY**

The Association has been named as a defendant in a Human Rights Complaint alongside BC Housing and the Ministry of Social Development and Poverty Reduction. This complaint was filed on May 9, 2022 and the Ladysmith Resources Centre Association was formally included as a party to the complaint on December 7, 2022. On the date of the initial filing, both the current President of the Association, and her daughter were named as complainants. Subsequent to the initial filing and before the Ladysmith Resources Centre Association was formally included as a party, the President had removed her name from the lawsuit but her daughter remains a named complainant. The results of this lawsuit are not determinable at this time.

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#### **20. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation format adopted for the current year. These reclassifications do not impact net assets or surplus.

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#### **21. CONTINGENT LIABILITY**

On December 7, 2022, the Association was named in a Human Rights Complaint alongside BC Housing and the Ministry of Social Development and Poverty Reduction. The results of this lawsuit are not determinable at this time.

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#### **22. SUBSEQUENT EVENT**

Subsequent to the year end the Association commenced tenancing the Buller Street apartment project. The building is currently fully tenanted in accordance with the BC Housing agreement. It is imperative upon the Association to maintain tenants within the parameters of the BC Housing agreement for this project. Failure to maintain the tenants per the parameters could result in the Association being unable to meet its financial obligations with regards to the agreement.

On August 1, 2023 a mortgage was taken out with the Scotiabank through an agreement with BC Housing in the amount of \$6,905,408. This mortgage bears interest at 4.23% for a term of ten years and is amortized over thirty-five years. Commencing September 1, 2023, monthly principal and interest payments of \$31,380.74 are required under this agreement.

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