
Financial statements of
Burnaby Association for
Community Inclusion

March 31, 2022

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Independent Auditor's Report

To the Members of
Burnaby Association for Community Inclusion

Opinion

We have audited the financial statements of Burnaby Association for Community Inclusion (the "Association"), which comprise the statement of financial position as at March 31, 2022, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2022, and the results of its 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 ("Canadian GAAS"). 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 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 audit 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 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 GAAS 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 GAAS, 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that in our opinion, these financial statements are presented on a basis consistent with that of the previous year.

Deloitte LLP

Chartered Professional Accountants
September 19, 2022
Vancouver, British Columbia

Burnaby Association for Community Inclusion
Statement of operations
Year ended March 31, 2022

	Notes	2022	2021
		\$	\$
Revenue			
Provincial and Federal government grants			
Community Living British Columbia		29,188,879	27,822,705
Ministry of Children and			
Family Development ("MCFD")		2,555,126	2,886,537
British Columbia Housing and			
Management Commission		225,380	182,680
Service contracts		266,806	299,419
Federal government		99,465	86,496
Other sources			
User fees		1,936,231	1,636,616
Other revenue		713,243	371,314
Contracts		2,003	2,455
Amortization of deferred contributions			
Property, buildings and equipment		48,660	48,660
Fundraising and donations			
Gaming grant		100,000	100,000
Donations and gifts		42,846	103,918
Sharing Our Future Foundation	13(a)	12,500	6,000
		35,191,139	33,546,800
Expenses			
Human Resources			
Wages and benefits	14 and 16	22,327,449	20,211,182
Staff training		228,208	138,818
Program			
Life Sharing Network & Respite		7,543,124	7,691,860
Program costs		1,242,819	1,082,739
Purchased services		713,006	729,007
Transportation		267,655	316,797
Recreation and education		153,105	100,920
Pandemic costs		130,354	415,885
Accessibility		31,410	20,837
Supported employment		24,704	28,060
Occupancy			
Mortgage interest and lease payments	5	1,003,312	851,232
Property taxes, utilities and insurance		514,180	438,268
Repairs and maintenance		431,129	422,444
Amortization of property, buildings and equipment			
and write off of intangible asset	4	591,572	924,643
		35,202,027	33,372,692
(Deficiency) / excess of revenue over expenses for the year		(10,888)	174,108

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

Burnaby Association for Community Inclusion
Statement of changes in net assets

Year ended March 31, 2022

	Unrestricted	2022	2021
	\$	Total	Total
	\$	\$	\$
Balance, beginning of year	3,049,495	3,049,495	2,875,387
(Deficiency) / excess of revenue over expenses	(10,888)	(10,888)	174,108
Balance, end of year	3,038,607	3,038,607	3,049,495

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

Burnaby Association for Community Inclusion

Statement of financial position

As at March 31, 2022

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents		1,797,936	1,586,193
Accounts receivable		661,658	469,829
Prepaid expenses and other asset		174,173	103,996
		2,633,767	2,160,018
Replacement Reserve Fund	2(c)	267,967	241,274
Property, buildings and equipment	4	16,014,227	13,275,738
		18,915,961	15,677,030
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		3,971,265	3,730,043
Government remittances payable		41,483	21,982
Deferred revenue		153,320	146,955
Due to Sharing Our Future Foundation	13(a)	17,408	22,520
Current portion of mortgages payable	5	827,705	415,923
Current portion of loans payable	6	4,306	4,076
		5,015,487	4,341,499
Mortgages payable	5	4,354,687	5,185,174
Loans payable	6	53,409	57,714
Construction loan	7	5,261,336	1,828,746
Deferred contributions			
Replacement Reserve Fund	8	267,967	241,274
Property, buildings and equipment	9	924,468	973,128
		15,877,354	12,627,535
Contingent liabilities and commitments	* 11 and 12		
Net assets			
Unrestricted	10	3,038,607	3,049,495
		3,038,607	3,049,495
		18,915,961	15,677,030

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

Approved by the Board

 _____, Amar Grewal, President

 _____, Nailin Esmail, Treasurer

Burnaby Association for Community Inclusion
Statement of cash flows
Year ended March 31, 2022

	2022 \$	2021 \$
Operating activities		
(Deficiency) / excess of revenue over expenses for the year	(10,888)	174,108
Items not affecting cash		
Amortization of property, buildings and equipment and write off of intangible assets	591,572	924,643
Amortization of deferred contributions – property, buildings and equipment	(48,660)	(48,660)
	532,024	1,050,091
Changes in non-cash operating working capital items		
Accounts receivable	(191,829)	(51,055)
Prepaid expenses	(70,177)	51,837
Accounts payable and accrued liabilities	(455,893)	563,170
Government remittances payable	19,500	(1,975)
Deferred revenue	6,365	(46,495)
Due to Sharing Our Future Foundation	(5,112)	1,887
	(165,122)	1,567,460
Investing activities		
Additions to property, buildings and equipment	(2,632,945)	(2,808,257)
Proceeds on disposal of investments	—	471,600
	(2,632,945)	(2,336,657)
Financing activities		
Loan principal repayments	(4,075)	(3,857)
Advances on construction loan	3,432,590	1,280,972
Mortgage principal repayments	(418,705)	(410,800)
	3,009,810	866,315
Net cash inflow	211,743	97,118
Cash and cash equivalents, beginning of year	1,586,193	1,489,075
Cash and cash equivalents, end of year	1,797,936	1,586,193
Cash and cash equivalents is comprised of		
Cash	1,532,348	1,586,193
Term deposits	265,588	—
	1,797,936	1,586,193
Supplementary disclosure of non-cash transactions		
Additions of property, building and equipment included in accounts payable	697,115	876,707

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

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

1. Purpose of the Association

Burnaby Association for Community Inclusion (the "Association") provides support and services for individuals of all ages with developmental disabilities and their families. The Association also provides early intervention support and programs to children from birth to 12 years. The Association is incorporated under the Societies Act of British Columbia, and is a registered charity under the Income Tax Act. The Association's future operations are largely dependent upon the continuation of funding under several contracts with Community Living British Columbia and other government entities. The Association is also Governed by the Public Sector Employers' Council guidelines and act of BC.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following significant accounting policies:

(a) Revenue recognition

The Association follows the deferral method of accounting for contributions (comprising grants, donations and gifts). Externally restricted operating contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and other sources of revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Contributions restricted for the purchase or construction of property, buildings and equipment are deferred and amortized into revenue at the amortization rate of the related property, buildings and equipment.

Gaming revenue constitutes funds received from the Province of British Columbia from commercial gambling revenues. Gaming funds are reported on a cash basis to the British Columbia Gaming Commission in accordance with the Gaming Authority's policy. The Association's financial statements report gaming revenue on an accrual basis.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue in the statement of operations when earned.

User fees and contracts represent rental income on property owned by the Association and services rendered by the childcare programs. Other sources revenue is recognized when earned and collectability is reasonably assured.

(b) Property, buildings and equipment

Purchased assets are recorded at cost less accumulated amortization. Donated assets are recorded at fair value less accumulated amortization.

The Association provides amortization on the assets using the following rates and methods:

Buildings	Over remaining terms of the related mortgage, which approximates the useful life of the assets
Equipment and renovations	12.5% straight-line method
Vehicles	12.5% straight-line method

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

2. Significant accounting policies (continued)

(b) Property, buildings and equipment (continued)

Building under constructions relates to the construction of a housing project and amortization is recorded when the building is complete and brought into use.

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost. The write-downs of tangible capital assets are accounted for as expenses in the statement of operations. A write-down shall not be reversed.

(c) Replacement Reserve Fund

The Association is required to maintain a capital replacement reserve fund as designated by British Columbia Housing and Management Commission ("BCHMC"). Contributions for the replacement reserve fund are credited to deferred contributions. Contributions are transferred to income in the period that the expenditures are incurred. Amounts sufficient to support the balances designated by BCHMC have been placed in separate bank accounts.

(d) Volunteer services

Volunteers assist the Association in operating the various programs. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(e) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and term deposits that are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

(f) Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

With respect to financial assets measured at cost or amortized cost, the Association recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases, and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

2. Significant accounting policies (continued)

(g) Employee future benefits

The Association participates in a multi-employer defined benefit pension plan and accounts for contribution payments using the defined contribution plan accounting which recognizes contributions as an expense in the year incurred (Note 14).

(h) Accounting for controlled entity

Entities controlled by the Association are not consolidated in these financial statements; financial statement elements and other relevant information about such entities are instead reported by note disclosure (Note 13).

(i) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of management estimates include accrued liabilities, contingencies, and the useful lives and recoverability of intangible assets, property, buildings and equipment. Actual results could differ from those estimates.

3. Vancouver Foundation

The Association has placed funds of \$10,000 (\$10,000 in 2021) with the Vancouver Foundation. In accordance with the Vancouver Foundation Act, these funds are held permanently by the Vancouver Foundation, and thus are not recorded in the financial statements of the Association. The Association, however, has the right to receive investment income on these funds and such investment income is recorded in the statement of operations.

4. Property, buildings and equipment

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
	\$	\$	\$	\$
Building under construction	7,469,608	—	7,469,608	4,500,761
Land and buildings	15,219,017	8,120,430	7,098,587	7,488,531
Equipment and renovations	3,937,862	2,654,258	1,283,604	1,095,092
Vehicles	1,154,176	991,748	162,428	191,354
	27,780,663	11,766,436	16,014,227	13,275,738

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

4. Property, buildings and equipment (continued)

See Note 5, Note 7 and Note 12(a) for land and buildings held as security and restrictions on property, buildings and equipment.

The building under construction is for a new 15-unit, social housing, and childcare centre at 3755 Banff Avenue ("Banff Housing Project"). Costs incurred for the Banff Housing Project which meet the capitalization criteria are included in building under construction. The development costs of the Banff Housing Project are funded by a forgivable mortgage and construction loan from the BCHMC (Note 7), deferred contributions from other donors (Note 9) and funds from the Association (Note 10).

5. Mortgages payable

Mortgages payable are comprised of first mortgages with BCHMC, various banks, trust companies and credit unions, secured by the land and buildings, mortgage of leases, assignments of rent, fire insurance and grant agreements.

	Annual interest rate %	Monthly mortgage repayment \$	Monthly BCHMC subsidy \$	Renewal date	Principal outstanding	
					2022 \$	2021 \$
Cumberland	2.81	1,179	107	07/01/2023	18,485	31,907
East burn	1.69	1,244	—	06/01/2024	32,923	47,161
Edmonds	2.61	1,165	88	01/01/2024	25,003	38,149
Filby Court	1.85	4,697	6,661	11/01/2023	92,434	146,550
Genesis	2.54	4,377	—	07/01/2022	440,924	477,478
Neville	3.85	3,358	—	07/01/2024	369,559	397,395
Orchard Heights	1.44	2,651	2,356	12/01/2030	343,789	370,462
Sardis	8.00	571	—	11/01/2024	15,970	21,337
Stride Place	2.03	25,628	10,115	08/01/2026	3,843,305	4,070,658
		44,870	19,327		5,182,392	5,601,097
Less: current portion					(827,705)	(415,923)
					<u>4,354,687</u>	<u>5,185,174</u>

The minimum annual principal repayments in the next five fiscal years and thereafter are as follows:

	\$
2023	827,705
2024	367,213
2025	306,856
2026	304,726
2027	311,330
Thereafter	<u>3,064,562</u>
	<u>5,182,392</u>

Included with mortgage interest and lease payments is \$119,735 (\$131,334 in 2021) representing interest on long-term debt.

On August 1, 2022, the Association renewed the Genesis mortgage facility for a 5-year term at an interest rate of 6.04%.

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

6. Loan payable

	2022	2021
	\$	\$
Sharing Our Future Foundation (Note 15) advanced \$100,000 on July 1, 2007 at a rate of 5.59% per annum, unsecured, repayable over 25 years, for the purchase of the MacDonald facility. The Association paid \$3,312 (\$3,531 in 2021) of interest on this advance during the year	57,715	61,790
Less: current portion	<u>(4,306)</u>	<u>(4,076)</u>
	<u>53,409</u>	<u>57,714</u>

Scheduled principal repayments in the next five fiscal years and thereafter are as follows:

2023	4,306
2024	4,550
2025	4,808
2026	5,081
2027	5,369
Thereafter	<u>33,601</u>
	<u>57,715</u>

7. Construction loan

In connection with the development of the Banff Housing Project, BCHMC has provided a forgivable mortgage to the Association up to a maximum amount of \$3,427,975 (\$3,010,000 in 2021) to fund the construction costs. The mortgage is forgivable provided the property when completed, is used for the provision of 15 affordable housing units to eligible occupants as defined in the operating agreement. The term of the mortgage is for 35 years and 1/25th of the principal amount will be forgiven each year, commencing on the 11th anniversary of the mortgage commencement date.

In the event of default of the mortgage, the full principal amount plus interest will be payable to BCHMC. The long-term lease on the Banff Avenue land is held as security for the mortgage.

The remaining construction loan of \$1,833,361 (\$nil in 2021) is a non-revolving credit facility funded by BCHMC up to a maximum of \$3,346,512 (\$3,346,512 in 2021). When the construction is complete, up to \$2,346,512 (\$2,546,512 in 2021) will be transferred to an external mortgage provider. The construction loan bears interest at 2% and is secured by section 219 covenants over the property, a restriction of sales for 10 years, first and third priority mortgage over the property and the first propriety assignment of rents and general assignment of certain agreements and a location specific security agreement. Subsequent to the year-end date, a mortgage agreement was signed with a federal credit union effective September 1, 2022, for a 10-year term at an interest rate of 3.56%.

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

8. Deferred contributions – Replacement Reserve Fund

Deferred Contributions – Replacement Reserve Fund represents restricted contributions as designated by BCHMC (Note 2 (c)). Changes in the deferred contributions balances are as follows:

	Total	Total
	\$	\$
Opening balance	241,274	226,999
Interest earned	654	4,440
Contributions during the year	58,452	49,096
Expenditures during the year	(32,413)	(39,261)
Ending balance	267,967	241,274

The BCHMC replacement reserve fund is invested in guaranteed investment certificates earning interest at 0.05% per annum (0.3% per annum in 2021).

9. Deferred contributions – property, buildings and equipment

These represent restricted deferred contributions with which certain property, buildings and equipment were originally acquired. Changes in the deferred contributions balance are as follows:

	2022	2021
	\$	\$
Balance, beginning of year	973,128	550,188
Contributions received	—	471,600
Amounts transferred to revenue	(48,660)	(48,660)
Balance, end of year	924,468	973,128

Included in deferred contributions – property, buildings and equipment is \$846,600 of contributions related to the development Banff Housing Project. When the development is complete, the deferred contributions will be amortized into revenue at the amortization rate of the property.

10. Net assets

Unrestricted net assets

Included in unrestricted assets is \$4,588,316 (\$4,810,977 in 2021) which represents an investment in property, buildings and equipment, resulting in a net unrestricted deficit of \$1,549,709 (\$1,761,482 in 2021).

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

11. Lines of credit and other credit facility

The Association has a line of credit of \$1,200,000 (\$1,200,000 in 2021) available with the Bank of Montreal, bearing interest at bank prime rate plus 1% per annum, repayable on demand. The line of credit is maintained to provide operating working capital as necessary. As at March 31, 2022, nil was outstanding on the line of credit (nil in 2021).

The Association has available a credit facility of up to \$5,000,000 of which nil was drawn upon as at March 31, 2022 (nil in 2021). This credit facility, if drawn, bears interest at prime rate plus 1% and is repayable on demand. The credit facility is collateralized by a general security agreement and a general assignment of accounts receivable.

12. Contingent liabilities and commitments

(a) Certain of the Association's properties are subject to charges, as per the Human Resources Facilities Act, whereby the facility may only be used for human resources purposes. If the properties are disposed of or not used for these purposes, the greater of \$127,965, or a proportion of the fair value of the land based on the amount of the grant, and fair value of land at the time the grant funds were received, is repayable to the Province of British Columbia. The Association is required to obtain written consent from the Province of British Columbia prior to the disposal of certain properties.

(b) The minimum aggregate and total annual future rentals payable under the terms of operating leases for a building facility and equipment used in programs are as follows:

	\$
2023	513,896
2024	411,977
2025	322,190
2026	208,525
2027	61,543
	<u>1,518,131</u>

(c) As at the date of these financial statements, there is one pending litigation against the Association. Based on managements' assessment of the potential loss and coverage from insurance policy, no material impact is expected on the Association's financial position or results from operations and as such no amount has been accrued in the financial statements.

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

13. Related entities

(a) Sharing Our Future Foundation

Sharing Our Future Foundation (the "Foundation") is a charitable foundation responsible for raising funds for the Association. The Foundation has its own board of directors. The Foundation is incorporated under the Societies Act of British Columbia, is a not-for-profit organization and is a registered charity under the Income Tax Act. The Foundation's constitution requires that, on dissolution or windup, all of its assets are to be distributed to the Association or another recognized British Columbia charity.

The Association contracts with the Foundation for fundraising events. The Foundation's responsibilities are to distribute the net proceeds of the fundraising events to the Association or to hold them in a capital fund for projects that will benefit the clients of the Association.

The Foundation has not been consolidated in the Association's financial statements. Financial statements for the Foundation are available upon request. As at March 31, 2022, the Foundation had total assets of \$826,543 (\$849,085 in 2021), total liabilities of \$117,936 (\$134,748 in 2021), net assets of \$708,607 (\$714,576 in 2021), including Investment in capital assets of \$448,300 (\$448,300 in 2021), total revenues of \$23,399 (\$24,868 in 2021), total expenditures of \$29,368 (\$22,888 in 2021) and an deficit of revenues over expenditures of \$5,969 (excess of \$1,980 in 2021).

The Foundation made contributions of \$12,500 (\$6,000 in 2021) to the Association, which are included in fundraising and donations revenue of the Association.

The net amount payable by the Association in respect of all transactions was \$17,408 as at March 31, 2022 (\$22,520 in 2021). Transactions with related parties are in the normal course of operations and based on exchange amounts as established and agreed to by the related parties.

(b) Degrees of Change Design Inc.

The Association has an investment in a for profit company, Degrees of Change Design Inc., (the "Company") in which the Association has a 25% equity interest. As of March 31, 2022, the Company has not commenced operations, and as such, the Association has only recognized its investment of \$100 (\$100 in 2021) in the shares of the Company.

14. Pension Plan

The Association and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for overseeing administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments. Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability. The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021, with results available in 2022.

Burnaby Association for Community Inclusion

Notes to the financial statements

March 31, 2022

14. Pension Plan (continued)

The Association paid \$1,208,840 (\$1,081,485 in 2021) for employer contributions to the plan in fiscal 2022. If an employer applies to withdraw from the plan, the plan administrative agent may request an actuarial valuation of the plan be performed as of the withdrawal date. If a valuation is performed and the actuary determines that contribution rates to the plan would have to increase for the remaining employers as a result of the entity's termination, The Association must pay to the plan the amount necessary for contribution rates to stay the same. 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.

15. Financial instruments and financial risk

(a) Interest rate risk

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to cash flow interest rate risk with respect to its cash equivalents and is exposed to fair value interest rate risk on its mortgages and non-revolving construction loan payable. The cash flow interest rate risk on cash equivalents represents a limited exposure as at March 31, 2022 and the Association has not utilized the operating bank credit facilities.

(b) Liquidity risk

The Association's objective is to have sufficient liquidity to meet its liabilities when due. The Association monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2022, the most significant financial liabilities are accounts payable and accrued liabilities, loans payable and mortgages and non-revolving construction loan payable.

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform its obligations when they come due. The Association is exposed to credit risk on its accounts receivable, cash balances and term deposits. This risk is mitigated by holding cash balances and investments at Canadian chartered banks or credit unions. Credit risk arising from accounts receivable is mitigated as the Association receives the majority of its funding from government entities. Also, the Association maintains provisions for potential credit losses when considered necessary. For the year ended March 31, 2022, the Association has an allowance for doubtful accounts of nil (nil in 2021).

16. Disclosure of director, employee, and contractor remuneration

For the fiscal year ended March 31, 2022, the Association did not remunerate the directors as these are volunteer positions (nil in 2021). The Association paid total remuneration of \$1,461,799 (\$1,195,428 in 2021) to the ten highest remunerated employees and contractors who received total annual remuneration of \$75,000 or greater.