

Financial Statements of

LUTHER COURT SOCIETY

And Independent Auditor's Report thereon

Year ended March 31, 2025



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Luther Court Society

Opinion

We have audited the financial statements of Luther Court Society (the Entity), which comprise:

- the statement of financial position as at March 31, 2025
- 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, 2025 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's to cease to continue as a going concern.



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- 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 Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting 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 period.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada

June 23, 2025

LUTHER COURT SOCIETY

Statement of Financial Position

March 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 2,743,105	\$ 3,119,660
Accounts receivable	811,604	229,054
GST receivable	101,268	69,635
Inventories	187,114	240,688
Prepaid expenses	62,377	41,021
	<u>3,905,468</u>	<u>3,700,058</u>
Property and equipment (note 4)	9,430,030	10,280,810
Total assets	\$ 13,335,498	\$ 13,980,868
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 756,944	\$ 341,265
Government remittances payable	200,318	203,680
Accrued interest payable	13,678	13,678
Current portion of deferred grants and donations (note 5)	158,465	246,765
Wages payable	602,692	701,639
Rental damage deposits	24,902	28,593
Loans payable (note 7)	631,265	182,272
Current portion of mortgage loan (note 6)	812,938	181,353
	<u>3,201,202</u>	<u>1,899,245</u>
Forgivable loans - capital grants (note 8)	414,100	746,071
Accrued sick and severance benefits (note 9)	499,900	456,600
Deferred capital contributions (note 11)	5,187,061	5,780,707
Mortgage loan (note 6)	-	812,938
Deferred grants and donations (note 5)	390,395	380,312
Total liabilities	9,692,658	10,075,873
Net Assets		
Invested in property and equipment (note 12)	3,053,898	3,249,844
Externally restricted for replacement reserves (note 13)	997,311	880,316
Internally restricted (note 14)	450,590	450,590
Unrestricted	<u>(858,959)</u>	<u>(675,755)</u>
Total net assets	3,642,840	3,904,995
Total liabilities and net assets	\$ 13,335,498	\$ 13,980,868

Contingent liabilities (notes 8 and 10)
Commitments (note 17)
Subsequent events (note 21)

See accompanying notes to financial statements.

On behalf of the Board:





LUTHER COURT SOCIETY

Statement of Operations

Year ended March 31, 2025, with comparative information for 2024

	Care	Rental	Programs	Development	Community Health Centre	2025	2024
Revenue:							
Contributions - Island Health	\$ 6,563,197	\$ -	\$ -	\$ -	\$ 2,625,701	9,188,898	8,322,535
Resident's and client fees	1,560,147	308,181	75,884	-	380	1,944,592	1,828,505
Grants	-	366,948	992,759	-	-	1,359,707	1,426,889
Rental income	-	414,550	-	-	-	414,550	442,762
Amortization of deferred contributions (note 11)	471,219	185	-	-	149,181	620,585	552,680
Interest and other income	323,229	19,378	1,316	65,978	13,914	423,815	268,085
Loan forgiveness (note 8)	-	53,713	-	-	-	53,713	53,713
Gift shop and cafe operations	-	-	-	42,376	-	42,376	42,740
Fundraising and donations	-	231	-	60,759	-	60,990	69,219
Rental subsidies	-	(3,936)	-	-	-	(3,936)	(5,151)
	8,917,792	1,159,250	1,069,959	169,113	2,789,176	14,105,290	13,001,977
Expenses:							
Salaries and benefits	6,874,771	741,204	1,059,892	55,378	1,017,198	9,748,443	9,393,203
Contracted healthcare professionals	-	-	-	-	1,131,917	1,131,917	994,598
Food and supplies	393,619	153,270	56,251	-	-	603,140	508,090
Amortization	522,624	131,506	11,846	-	149,181	815,157	770,805
Service contracts	160,606	15,092	8,000	15,585	19,780	219,063	221,843
Supplies	254,350	8,999	5,066	-	11,040	279,455	220,504
Repairs and maintenance	196,300	19,144	522	873	25,150	241,989	195,321
Utilities	56,213	92,062	48,540	-	-	196,815	187,514
Office	34,827	7,550	1,100	5,138	132,722	181,337	132,045
Board expenses	-	-	-	6,155	-	6,155	16,919
Insurance	14,194	36,217	14,072	1,913	3,748	70,144	61,412
Mortgage interest	18,417	10,693	-	-	-	29,110	37,673
Personnel development	23,242	7,870	-	7,390	1,159	39,661	46,916
Gift shop and cafe operations	-	-	-	23,369	-	23,369	27,549
Professional fees	8,483	5,987	4,989	1,996	-	21,455	21,454
Membership dues and fees	17,099	1,293	-	-	150	18,542	16,040
Fundraising	-	-	-	116,505	-	116,505	3,014
Transportation	2,401	-	-	-	14	2,415	1,632
	8,577,146	1,230,887	1,210,278	234,302	2,492,059	13,744,672	12,856,532
Excess (deficiency) of revenue over expenses before extraordinary items							
	340,646	(71,637)	(140,319)	(65,189)	297,117	360,618	145,445
Asset write-down (note 4)	(567,067)	(60,964)	-	-	-	(628,031)	-
Forgivable loan recognized - asset write-down (note 8)	278,258	-	-	-	-	278,258	-
Excess (deficiency) of revenue over expenses	\$ 51,837	\$ (132,601)	\$ (140,319)	\$ (65,189)	\$ 297,117	\$ 10,845	\$ 145,445

See accompanying notes to financial statements.

LUTHER COURT SOCIETY

Statement of Changes In Net Assets

Year ended March 31, 2025, with comparative information for 2024

	Invested in property and equipment (note 12)	Restricted funds		Unrestricted	2025	2024
		Replacements (note 13)	Internally restricted (note 14)			
Balance, beginning of year	\$ 3,249,844	\$ 880,316	\$ 450,590	\$ (675,755)	\$ 3,904,995	\$ 4,050,150
Excess (deficiency) of revenues over expenses	(490,632)	26,498	-	474,979	10,845	145,445
Invested in property and equipment	294,686	-	-	(294,686)	-	-
Remeasurement losses on accrued sick and severance benefits (note 9)	-	-	-	(273,000)	(273,000)	(290,600)
Replacement reserve provision (note 13)	-	90,497	-	(90,497)	-	-
Balance, end of year	\$ 3,053,898	\$ 997,311	\$ 450,590	\$ (858,959)	\$ 3,642,840	\$ 3,904,995

See accompanying notes to financial statements.

LUTHER COURT SOCIETY

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 10,845	\$ 145,445
Items not involving cash:		
Amortization	815,157	770,805
Amortization of deferred capital contributions	(620,585)	(552,680)
Recognition of forgivable loans	(331,971)	(53,713)
Asset writedowns	628,031	-
Sick and severance benefits expense	61,400	61,800
	<u>562,877</u>	<u>371,657</u>
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(582,550)	500,669
Increase in GST receivable	(31,633)	(3,408)
Decrease (increase) in inventories	53,574	(99,094)
Decrease (increase) in prepaid expenses	(21,356)	66,907
Increase (decrease) in accounts payable and accrued liabilities	415,679	(267,683)
Increase (decrease) in government remittances payable	(3,362)	156,051
Increase in wages payable	(98,947)	(58,060)
Increase (decrease) in rental damage deposits	(3,691)	3,716
Increase in deferred grant and donation revenue	(78,217)	(96,849)
	<u>212,374</u>	<u>573,906</u>
Financing:		
Deferred capital contributions received	26,939	108,250
Repayment of mortgage loan	(181,353)	(174,876)
Increase (decrease) in loans payable	448,993	(2,100)
Sick and severance benefits paid	(291,100)	(383,700)
	<u>3,479</u>	<u>(452,426)</u>
Investing:		
Purchase of property and equipment	(592,408)	(1,965,892)
Decrease in cash and cash equivalents	(376,555)	(1,844,412)
Cash and cash equivalents, beginning of year	3,119,660	4,964,072
Cash and cash equivalents, end of year	<u>\$ 2,743,105</u>	<u>\$ 3,119,660</u>

See accompanying notes to financial statements.

LUTHER COURT SOCIETY

Notes to Financial Statements

Year ended March 31, 2025

1. Nature and purpose of the Society:

Luther Court Society (the "Society") is registered under the Societies Act (British Columbia). The Society is a non-profit organization formed to administer to the needs of the elderly by providing care, accommodation and programs for their physical, social, mental, spiritual, recreational and health needs.

The Society is a registered charity under the Income Tax Act and as such is not subject to taxation.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Society's significant accounting policies are as follows:

(a) Basis of presentation:

Revenues and expenses related to the Care, Programs, Rental, Development and Community Health Centre ("CHC") units are reported on the statement of operations separately. Each unit represents the following:

Care:

Care consists of Complex Care. The Society's Complex Care is accredited and licensed to provide services to 60 residents. This involves 24 hour nursing care for clients with complex medical and/or dementia needs. Clients are referred by the Vancouver Island Health Authority ("VIHA" or "Island Health").

Programs:

Programs consists of the Adult Day Program (a day program for seniors living in the community) and Home Support (in-home nursing and living assistance).

Rental:

Rental consists of 58 apartments of which 28 are independent living and internally income subsidized, and 30 are designated for assisted living (housing with in-home support services). The assisted living clients are referred by Island Health.

Development:

Development consists of fundraising and donations activities.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

CHC:

CHC consists of the Community Health Centre, a full scope patient service for the delivery of complex care, chronic care, acute/episodic care and targeted care.

(b) Property and equipment:

The land and building are recorded at cost. Amortization of the Care Unit's portion of building and renovation costs is shown on the original building cost over 60 years and on the Complex Care and Independent Living renovation costs over 35 years. Other property and equipment are recorded at cost and are being amortized on a straight line basis over their estimated useful lives from 3 to 30 years.

Interest is capitalized until the asset is put into use whenever external debt is issued to finance the construction of capital assets.

Assets are not amortized until put into use.

When a capital asset no longer contributes to the Society's ability to provide services, its carrying value is written down to its residual value.

(c) Inventories:

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(d) 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. Contributions externally restricted for the purchase of capital assets are deferred to periods when the related capital assets are amortized and are recognized as revenue at the same rate as the related capital assets are amortized. 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. Resident and other client fees are recognized as revenue in the period the service is provided. Investment income is recognized as revenue when earned.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

2. Significant accounting policies (continued):

(e) Pledges and donations receivable:

Pledges and donations receivable are recorded in the accounts only when received. Designated or restricted donations are recognized as revenue when used for the directed purpose.

(f) B.C. Housing Replacement Reserves:

B.C. Housing replacement reserves are accounted for in accordance with the B.C. Housing Financial Responsibilities Guide. This requires that contributions from B.C. Housing for replacement reserves be recognized as revenue when they are received and then transferred to externally restricted replacement reserves. The replacement reserves are increased by interest earned on these funds and reduced by purchases of eligible items included in B.C. Housing's Standardized List of Replacement Reserve items.

(g) Contributed materials and services:

The Society receives contributions of both materials and services. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are recognized in the financial statements at fair value.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

(i) Employee benefits:

Benefits that accrue to employees, such as sick and severance, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements. All gains and losses and other special events are immediately recognized as they arise. Re-measurements and other items are accounted as a direct increase in net assets in the statement of changes in net assets.

The Society and its employees contribute to a multiple-employer plan for health related benefits, administered by the Healthcare Benefit Trust and to the Municipal Pension Plan, a multi-employer defined benefit plan for pension benefits. Contributions to the plans are expensed as incurred.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

2. Significant accounting policies (continued):

(j) Financial instruments:

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and cash equivalents and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, accrued interest payable, rental damage deposits, loans payable and mortgage loan.

The carrying value of the Society's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

The carrying value of the Society's mortgage loan approximates its fair value, based on current interest rates.

3. Cash and cash equivalents:

Cash and cash equivalents include externally and internally restricted funds as follows:

	2025	2024
Replacement reserve (note 13)	\$ 997,311	\$ 880,316
Internally restricted (note 14)	450,590	450,590
Grants and donations (notes 5 and 11)	1,218,092	1,299,452
Tenant damage deposits	24,902	28,593
Funds on hand	52,210	460,709
	<u>\$ 2,743,105</u>	<u>\$ 3,119,660</u>

Included in cash and cash equivalents are term deposits totaling \$1,189,259 (2024 - \$1,552,628) with terms of one and three years and interest rates ranging from 3.0 to 3.75%.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

4. Property and equipment:

	2025		
	Cost	Accumulated amortization	Net book value
Land	\$ 311,349	\$ -	\$ 311,349
Building	3,611,934	1,564,973	2,046,961
Furniture and fixtures	6,684,614	3,967,363	2,717,251
Computer	296,787	262,173	34,614
Building improvements	4,588,321	1,646,374	2,941,947
Construction in progress	1,377,908	-	1,377,908
	<u>\$ 16,870,913</u>	<u>\$ 7,440,883</u>	<u>\$ 9,430,030</u>

	2024		
	Cost	Accumulated amortization	Net book value
Land	\$ 311,349	\$ -	\$ 311,349
Building	4,213,952	1,742,095	2,471,857
Furniture and fixtures	7,072,664	3,961,898	3,110,766
Computer	282,400	204,919	77,481
Building improvements	5,161,205	1,753,412	3,407,793
Construction in progress	901,564	-	901,564
	<u>\$ 17,943,134</u>	<u>\$ 7,662,324</u>	<u>\$ 10,280,810</u>

Excluded from buildings and building improvements is \$628,031 of net book value of assets that were written down during the year as the South Wing was essentially vacant at March 31, 2025 and will be demolished in June 2025.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

5. Deferred grants and donations revenues:

The Society receives grants from the Province of B.C. and Island Health to fund its operations and capital improvements. It also receives designated donations which are not recognized as revenue until spent. Funds unspent at the year-end are deferred for use in a future year. During the year, the Society received \$10,731 (2024 - \$178,213) in contributions and recognized \$88,948 (2024 - \$275,062) into revenue.

6. Mortgage loan:

	2025	2024
Peoples Trust Company, monthly payments of \$17,880 including interest at 3.670%, secured by the Society's land and building, due May 1, 2025	\$ 812,938	\$ 994,291
Current portion	(812,938)	(181,353)
	\$ -	\$ 812,938

At maturity, the Society will repay the balance of the Mortgage Loan in full from Pre-Development Funds (see note 21).

7. Loans payable:

The Society was provided Pre-Development Funds for the Intergenerational Housing Project from the B.C. Housing Management Commission (BCHMC) of up to \$1,775,108 (\$66,500 advanced in fiscal 2018, an additional \$118,969 advanced in fiscal 2019, and an additional \$1,589,639 advanced in fiscal 2025). At March 31, 2025, \$631,265 (2024 - \$182,272) has been advanced on the loan. As the Society received a Loan Commitment from BCHMC on March 27, 2025, the total amount advanced will be repaid to BCHMC in full from the first mortgage loan advance (see note 21).

	2025	2024
BC Housing Management Commission (BCHMC) loan	\$ 631,265	\$ 182,272

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

8. Forgivable loans - capital grant:

(a) B.C. Housing Management Commission (second mortgage):

During 2005, the Society converted a portion of its building to accommodate residents funded under the Independent Living B.C. Program. To fund this project the Society received a second forgivable mortgage from BC Housing Management Commission ("BCHMC") secured on the Society's land and building. The forgivable mortgage has been treated as a capital grant and is being recognized in income over the life of the renovation assets (35 years).

During 2025 certain of these renovations were written off as they were part of buildings to be demolished in advance of the Intergenerational Housing Project. Revenue of \$278,258 was recognized equal to the net book value of assets to be demolished. At March 31, 2025, of the \$1,336,729 (2024 - \$1,336,729) forgivable loan advanced, \$965,719 (2024 - \$649,268) has been amortized or recognized in revenue.

Payments of principal and interest on this mortgage are not required as long as the Society uses part of its land and building to provide affordable housing and services to eligible occupants. If the Society complies with the mortgage terms, 1/35th of the mortgage will be forgiven each year. Should default occur, the mortgage will become due and payable on demand with interest at the then prime rate plus 2% per annum. As at March 31, 2025, there is \$601,780 (2024 - \$641,898) yet to be forgiven of this mortgage.

(b) B.C. Housing Management Commission (third mortgage):

The Society was granted a third forgivable mortgage in 2017 from BCHMC for an electrical distribution upgrade, secured on the Society's land and building. The forgivable mortgage has been treated as a capital grant and is being recognized in income over the life of the assets (10 years). At March 31, 2025, of the \$155,208 (2024 - \$155,208) advanced, \$112,118 (2024 - \$96,598) has been amortized in revenue.

Payments of principal and interest will not be required as long as the Society uses part of its land and building to provide affordable housing and services to eligible occupants. If the Society complies with the mortgage terms, 1/10th of the mortgage will be forgiven at the end of each year of the mortgage term. Should default occur, the mortgage will become due and payable on demand with interest at the then prime rate plus 2% per annum. As at March 31, 2025, there is \$28,000 (2024 - \$44,000) yet to be forgiven of this mortgage.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

8. Forgivable loans - capital grant (continued):

(b) B.C. Housing Management Commission (third mortgage) (continued):

	2025	2024
BCHMC - second mortgage	\$ 371,010	\$ 687,461
BCHMC - third mortgage	43,090	58,610
	<u>\$ 414,100</u>	<u>\$ 746,071</u>

9. Employee future benefits:

(a) Accrued sick and severance benefits:

Certain employees with ten or more years of service having reached a certain age are entitled to receive special payments upon retirement as specified by collective or employment agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liabilities for amounts which may become payable to retiring employees have been determined based on an estimate by an independent actuarial valuation. The valuation was performed at the measurement date of March 31, 2025.

Information about the sick leave and severance is as follows:

	2025	2024
Accrued sick and severance benefits:		
Sick leave benefits	\$ 162,700	\$ 173,600
Severance benefits	337,200	283,000
Accrued sick and severance benefits	<u>\$ 499,900</u>	<u>\$ 456,600</u>

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

9. Employee future benefits (continued):

(a) Accrued sick and severance benefits (continued):

The accrued benefit obligation for the sick and severance benefits reported on the statement of financial position is as follows:

	2025	2024
Unfunded obligation, beginning of year	\$ 456,600	\$ 487,900
Current service cost	39,000	38,400
Interest cost	22,400	23,400
Benefits paid	(291,100)	(383,700)
Remeasurement losses recognized in net assets	273,000	290,600
Unfunded obligation, end of year	\$ 499,900	\$ 456,600

The significant actuarial assumptions adopted in measuring the Society's accrued sick and severance liabilities are as follows:

	2025	2024
Discount rate	4.60 %	4.90 %
Rate of compensation increase		
2024	3.00 %	3.00 %
2025	2.50 %	2.50 %
2026	2.50 %	2.50 %

(b) Municipal Pension Plan:

The Society 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 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, 2023, the plan has about 256,000 active members and approximately 129,000 retired members.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

9. Employee future benefits (continued):

(b) Municipal Pension Plan (continued):

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 actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2024, with results available in 2025.

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.

During the year, the Society paid \$511,848 (2024 - \$516,535) for employer contributions while employees contributed \$473,262 (2024 - \$477,699) to the plan.

(c) Employee healthcare benefits:

The Society and its employees contribute to the Healthcare Benefit Trust (the "Trust"), a multiple employer plan. The Trust administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Society and other provincially funded organizations.

The net trust asset or liability of the pool in which the Society participates is recorded by Island Health as at March 31, 2025. The Society's share of the net trust position is not reflected in these financial statements.

Contributions to the Trust of \$516,043 (2024 - \$481,962) were expensed during the year.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

10. Special leave credits:

Under the terms of its current labour contracts, the Society is required to provide paid special leave credits, which may be accumulated by each employee to a maximum of 180 hours. As these credits are only available in specified circumstances, the Society records only a portion of the potential liability based upon utilization experience. At March 31, 2025, the Society has included in wages payable an accrual of \$103,005 (2024 - \$91,621) relating to this potential liability.

Using wage rates in effect at March 31, 2025, the Society's maximum liability for this accrued entitlement would be approximately \$514,940 (2024 - \$456,430).

11. Deferred capital contributions:

Deferred capital contributions represent contributions restricted to acquiring property and equipment. Deferred capital contributions are amortized on the same basis as the related property and equipment. The changes in deferred capital contributions balance for the year are as follows:

	2025	2024
Spent contributions:		
Beginning balance	\$ 5,108,332	\$ 5,014,630
Transfer from CMHC seed contributions	-	98,073
Contributions spent	30,082	548,309
Amortized to revenue	(620,585)	(552,680)
Ending balance	4,517,829	5,108,332
Unspent contributions:		
Beginning balance	672,375	1,112,434
Contributions	26,939	108,250
Contributions spent	(30,082)	(548,309)
Ending balance	669,232	672,375
Total contributions	\$ 5,187,061	\$ 5,780,707

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

12. Net assets invested in property and equipment:

Net assets invested in property and equipment represent the original cost of capital assets less related debt, capital contributions and amortization to date. The Society's investment in property and equipment is calculated as follows:

	2025	2024
Property and equipment (note 4)	\$ 9,430,030	\$ 10,280,810
Less amounts financed by:		
Mortgage loan (note 6)	812,938	994,291
Loans payable (note 7)	631,265	182,272
Forgivable loans - capital grants (note 8)	414,100	746,071
Deferred capital contributions - spent (note 11)	4,517,829	5,108,332
	6,376,132	7,030,966
	\$ 3,053,898	\$ 3,249,844

13. Net assets externally restricted for replacement reserves:

	Care	Rental	CHC	2025	2024
Balance, beginning of year	\$ 404,707	\$ 407,126	\$ 68,483	\$ 880,316	\$ 745,513
Provision (current year reserve)	25,200	31,320	33,977	90,497	90,497
Interest	13,435	11,646	1,417	26,498	17,306
Contribution	-	-	-	-	27,000
Balance, end of year	\$ 443,342	\$ 450,092	\$ 103,877	\$ 997,311	\$ 880,316

The operating agreement with the B.C. Housing Management Commission requires the Society to maintain a replacements reserve to be used only for the cost of replacing property and equipment. The Society transfers an annually approved amount to this reserve. For the current year, amounts of \$25,200 from Care, \$31,320 from Rentals and \$33,977 from CHC (total \$90,497; 2024 - \$90,497) were transferred from general funds to the reserve bank accounts.

During the year, the B.C. Housing replacement reserves were fully funded and maintained in accordance with the operating agreements and all interest accruing on the funds has been recorded.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

14. Net assets internally restricted:

An internally restricted reserve totaling \$23,022 (2024 - \$23,022) has been maintained for the payment of annual property taxes; however, the Society's property has received a property tax exemption for years 2024 through 2027.

An internally restricted reserve totaling \$105,154 (2024 - \$105,154) has been maintained in the Building Improvement Fund for future capital improvements to the building.

An internally restricted reserve totaling \$322,414 (2024 - \$322,414) has been maintained to keep record of the funds received as bequests to be spent on special projects.

15. Endowment funds:

The Society established a Hosted Endowment Fund (Luther Court Society Legacy Fund) with The Victoria Foundation on November 21, 2012. The funds are managed for the benefit of the Society and are held permanently. Gifts are made from time to time as determined by the Society or in accordance with the wishes of contributors. The Fund earns investment income in accordance with the Investment Policy of the Victoria Foundation. Distributions from the Fund are determined by the Distribution Policy of The Victoria Foundation.

The endowments are reported in the Luther Court Society Legacy Fund by The Victoria Foundation and are not reflected in the Society's net assets.

The balance in the Luther Court Society Legacy Fund is as follows:

	2025	2024
Beginning balance	\$ 42,506	\$ 39,851
Grants paid	(1,951)	(1,910)
Net investment returns	4,859	4,565
Ending balance	\$ 45,414	\$ 42,506

16. Residents' trust funds:

Trust funds held for residents amounting to \$22,106 at March 31, 2025, (2024 - \$25,113) and the related liabilities are not included in these financial statements.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

17. Commitments:

(a) Lease commitments:

The Society is committed to minimum annual lease payments under various operating leases for medical record management and equipment as follows:

2026	\$	59,981
2027		37,391
2028		33,900
2029		15,000
2030		5,000
	\$	151,272

(b) Construction commitments:

On March 27, 2025, the Society received final project approval from BCHMC for construction of a 95 unit Intergenerational Housing Project. To deliver the Project, the Society entered into the following agreements:

- (i) Agreement with M'Akola Development Services for Project administration and coordination of development, construction and completion. The total value of this commitment is \$643,876. At March 31, 2025, \$295,880 (2024 - \$67,942) has been incurred.
- (ii) Agreement with Studio 531 Architects Inc. for Project design. The total value of this commitment is \$965,839. At March 31, 2025, \$393,506 (2024 - \$334,208) has been incurred.
- (iii) Agreement with Heatherbrae Builders Co Ltd. ("Heatherbrae") for Project pre-construction services and demolition. The total value of this commitment is \$576,992. At March 31, 2025, \$29,631 (2024 - \$nil) has been incurred.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

18. Remuneration of employees:

Under the Societies Act, which came into effect November 28, 2016, societies must disclose remuneration paid to directors, and to employees and contractors whose remuneration was greater than \$75,000 for the fiscal year.

During the year, there were 35 employees and 5 contractors who met this criterion, and the total amount of remuneration paid to these persons was \$4,953,879 (during the prior year, there were 37 employees and 5 contractors who met this criterion, and the total remuneration paid to these persons was \$4,766,940). The Board of Directors receive no remuneration for their services.

19. Risk management:

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Society's risk exposure from the prior year.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Society to credit risk consist primarily of accounts receivable. Accounts receivables are not concentrated with any single party, and therefore the Society is not subject to any significant concentration of credit risk.

(b) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is not exposed to significant currency risks arising from its financial instruments.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Society to interest rate risk consist primarily of the mortgage loan. The Society manages the risk of future cash flows by having its mortgage loan at fixed rates of interest.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

19. Risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Society's cash requirements. The Society is not exposed to significant liquidity risks.

(e) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to significant other price risk.

(f) Tariffs risk:

The imposition of U.S. tariffs on cross-border trade will result in increased costs for goods and services procured from U.S. suppliers, impacting operations and infrastructure projects. While the long-term impact remains uncertain, the Society is actively working to monitor and mitigate the risks and impacts of the tariffs.

20. Economic dependency:

The operations of the Society are dependent on continuing funding from the Province of B.C. Ministry of Health. The Society is currently receiving a per diem rate based on occupancy, with no minimum guarantee.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2025

21. Subsequent events:

(a) Intergenerational Housing Project:

On March 27, 2025, the Society was granted final project approval by BCHMC for construction of a 95 unit Intergenerational Housing Project. The project budget is approximately \$50 million. Project approval included interim construction financing up to \$33.8 million from which the total amount advanced from the Pre-Development Fund loan will be repaid in full from the first mortgage loan advance (see notes 6 and 7).

On April 9, 2025, the Society was granted an additional \$782,066 in Pre-Development Funds for a total authorized loan of \$2,557,174.

A land purchase for \$815,000, demolition of existing structures and sub-division of the property are in process and expected to be completed in the summer of 2025. Excavation, shoring, concrete and framing will commence shortly thereafter with project completion in the summer of 2027.

Upon completion, the Society will assume a Canada Mortgage Housing Corporation (CMHC) insured 1st ranking Freehold mortgage of up to \$33,865,250, and a 2nd priority Freehold mortgage of \$15,639,470 to be forgiven over 35 years. The Society and BCHMC will then enter into a 60 year operating agreement.

(b) Service contract:

On May 27, 2025, the Society entered into an agreement with Westcana Services Inc. to manage the dietary, housekeeping and laundry functions, and procure food and kitchen supplies. The total value of this commitment is \$564,148 for the first year, with the value to be reviewed and mutually approved annually. Either party can terminate the agreement on 90 days written notice.

LUTHER COURT SOCIETY

Schedule of Housing Operations - Rental Assisted Living

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Tenant rent	\$ 211,565	\$ 221,937
Other revenue	5,652	10,310
	<u>217,217</u>	<u>232,247</u>
Expenses:		
Mortgage interest and principal	55,240	55,240
Salaries and wages - building staff	35,802	36,945
Amounts transferred to replacement reserves	21,600	21,600
Salaries and wages - maintenance	42,189	32,358
General utilities	29,819	28,155
Water and sewer	15,343	15,560
Garbage removal	6,969	6,986
General maintenance	11,279	15,368
Grounds maintenance	-	142
Audit	3,191	3,193
Insurance	11,599	9,666
General administrative	3,828	3,040
Telephone	1,590	1,590
	<u>238,449</u>	<u>229,843</u>
Net income (loss) for the year	(21,232)	2,404
Accumulated fund, balance at beginning of year	90,069	87,665
Accumulated fund, balance at end of year	<u>\$ 68,837</u>	<u>\$ 90,069</u>

LUTHER COURT SOCIETY

Schedule of Changes in Externally Restricted Replacement Reserves - B.C. Housing

Year ended March 31, 2025, with comparative information for 2024

	Rental				2025	2024
	Care	Assisted living	Independent	CHC		
Balance, beginning of year	\$ 404,707	\$ 171,958	\$ 235,168	\$ 68,483	\$ 880,316	\$ 745,513
Add:						
Transfer from operations for the year	25,200	21,600	9,720	33,977	90,497	90,497
Interest income	13,435	5,160	6,486	1,417	26,498	17,306
Contribution	-	-	-	-	-	27,000
Balance, end of year	\$ 443,342	\$ 198,718	\$ 251,374	\$ 103,877	\$ 997,311	\$ 880,316