

Financial Statements of

LUTHER COURT SOCIETY

And Independent Auditor's Report thereon

Year ended March 31, 2024



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, 2024
- 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, 2024 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 18, 2024

LUTHER COURT SOCIETY

Statement of Financial Position

March 31, 2024, with comparative information for 2023


	2024	2023
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 3,119,660	\$ 4,964,072
Accounts receivable	229,054	729,723
GST receivable	69,635	66,227
Inventories	240,688	141,594
Prepaid expenses	41,021	107,928
	<u>3,700,058</u>	<u>6,009,544</u>
Property and equipment (note 4)	10,280,810	9,085,723
Total assets	\$ 13,980,868	\$ 15,095,267
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 341,265	\$ 608,948
Government remittances payable	203,680	47,629
Accrued interest payable	13,678	13,678
Current portion of deferred grants and donations (note 5)	246,765	351,013
Wages payable	701,639	759,699
Rental damage deposits	28,593	24,877
Current portion of mortgage loan (note 6)	181,353	174,876
	<u>1,716,973</u>	<u>1,980,720</u>
Loans payable (note 7)	182,272	282,446
Forgivable loans - capital grants (note 8)	746,071	799,783
Accrued sick and severance benefits (note 9)	456,600	487,900
Deferred capital contributions (note 11)	5,780,707	6,127,064
Mortgage loan (note 6)	812,938	994,291
Deferred grants and donations (note 5)	380,312	372,913
Total liabilities	10,075,873	11,045,117
Net Assets		
Invested in property and equipment (note 12)	3,249,844	1,819,697
Externally restricted for replacement reserves (note 13)	880,316	745,513
Internally restricted (note 14)	450,590	1,185,590
Unrestricted	(675,755)	299,350
Total net assets	3,904,995	4,050,150
Total liabilities and net assets	\$ 13,980,868	\$ 15,095,267

Contingent liabilities (notes 8 and 10)

Commitments (notes 17 and 18)

See accompanying notes to financial statements.

On behalf of the Board:





LUTHER COURT SOCIETY

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	Care	Rental	Programs	Development	Community Health Centre	2024	2023
Revenue:							
Contributions - Island Health	\$ 6,000,927	\$ -	\$ -	\$ -	\$ 2,321,608	\$ 8,322,535	\$ 7,214,561
Resident's and client fees	1,457,622	320,054	50,829	-	-	1,828,505	1,951,635
Grants - Island Health	-	353,883	1,073,006	-	-	1,426,889	1,344,156
Rental income	-	442,762	-	-	-	442,762	420,931
Amortization of deferred contributions (note 11)	399,504	4,018	-	-	149,158	552,680	375,311
Interest and other income	166,984	27,419	17,185	42,178	14,319	268,085	189,351
Loan forgiveness (note 8)	-	53,713	-	-	-	53,713	53,713
Gift shop and cafe operations	-	-	-	42,740	-	42,740	46,959
Fundraising and donations	-	27,000	-	42,219	-	69,219	46,617
Rental subsidies	-	(5,151)	-	-	-	(5,151)	(5,758)
	8,025,037	1,223,698	1,141,020	127,137	2,485,085	13,001,977	11,637,476
Expenses:							
Salaries and wages	4,941,948	669,428	939,279	37,949	780,479	7,369,083	6,474,344
Employee benefits	1,445,016	137,297	219,824	-	221,983	2,024,120	1,740,660
Contracted healthcare professionals	-	-	-	-	994,598	994,598	758,137
Food and supplies	308,929	146,480	52,681	-	-	508,090	497,735
Amortization - furniture, fixtures, computers	323,890	55,968	11,846	-	55,532	447,236	324,305
Amortization - building (note 4)	137,559	94,502	-	-	91,508	323,569	292,466
Service contracts	178,910	(2,865)	6,740	12,990	26,068	221,843	281,462
Supplies	198,798	7,718	5,372	-	8,616	220,504	224,996
Repairs and maintenance	120,252	35,002	343	-	39,724	195,321	181,863
Utilities	54,237	84,737	48,540	-	-	187,514	180,850
Office	31,326	6,472	1,125	6,229	86,893	132,045	139,985
Board expenses	-	-	-	16,919	-	16,919	64,854
Insurance	17,911	30,181	11,726	1,594	-	61,412	52,784
Mortgage interest	24,895	12,778	-	-	-	37,673	45,929
Personnel development	13,724	6,198	-	24,313	2,682	46,916	41,631
Gift shop and cafe operations	-	-	-	27,549	-	27,549	30,660
Professional fees	8,482	5,987	4,989	1,996	-	21,454	25,624
Membership dues and fees	13,890	375	375	-	1,400	16,040	13,201
Donations	-	-	-	3,014	-	3,014	2,848
Transportation	1,606	-	26	-	-	1,632	1,951
	7,821,373	1,290,258	1,302,866	132,553	2,309,483	12,856,532	11,376,285
Excess (deficiency) of revenue over expenses	\$ 203,664	\$ (66,560)	\$ (161,846)	\$ (5,416)	\$ 175,602	\$ 145,445	\$ 261,191

See accompanying notes to financial statements.

LUTHER COURT SOCIETY

Statement of Changes In Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Invested in property and equipment (note 12)	Restricted funds		Unrestricted	2024	2023
		Replacements (note 13)	Internally restricted (note 14)			
Balance, beginning of year	\$ 1,819,697	\$ 745,513	\$ 1,185,590	\$ 299,350	\$ 4,050,150	\$ 3,920,559
Excess (deficiency) of revenues over expenses	(164,412)	44,306	-	265,551	145,445	261,191
Invested in property and equipment	1,594,559	-	-	(1,594,559)	-	-
Remeasurement losses on accrued sick and severance benefits (note 9)	-	-	-	(290,600)	(290,600)	(131,600)
Replacement reserve provision (note 13)	-	90,497	-	(90,497)	-	-
Use of internally restricted funds (note 14)			(735,000)	735,000		
Balance, end of	\$ 3,249,844	\$ 880,316	\$ 450,590	\$ (675,755)	\$ 3,904,995	\$ 4,050,150

See accompanying notes to financial statements.

LUTHER COURT SOCIETY

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 145,445	\$ 261,191
Items not involving cash:		
Amortization - building	323,569	292,466
Amortization - furniture, fixtures, computers	447,236	324,305
Amortization of deferred capital contributions	(552,680)	(375,311)
Loan forgiveness	(53,713)	(53,713)
Sick and severance benefits expense	61,800	60,500
	<u>371,657</u>	<u>509,438</u>
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	500,669	1,052,501
Increase in GST receivable	(3,408)	(15,646)
Decrease (increase) in inventories	(99,094)	620
Decrease (increase) in prepaid expenses	66,907	(98,491)
Increase (decrease) in accounts payable and accrued liabilities	(267,683)	(189,045)
Increase (decrease) in government remittances payable	156,051	(55,679)
Increase in wages payable	(58,060)	167,239
Increase in rental damage deposits	3,716	3,635
Increase in deferred grant and donation revenue	(96,849)	25,212
	<u>573,906</u>	<u>1,399,784</u>
Financing:		
Deferred capital contributions received	108,250	287,773
Repayment of mortgage loan	(174,876)	(168,631)
Increase (decrease) in loans payable	(2,100)	9,852
Sick and severance benefits paid	(383,700)	(269,000)
	<u>(452,426)</u>	<u>(140,006)</u>
Investing:		
Purchase of property and equipment	(1,965,892)	(1,370,844)
	<u>(1,844,412)</u>	<u>(111,066)</u>
Decrease in cash and cash equivalents	(1,844,412)	(111,066)
Cash and cash equivalents, beginning of year	4,964,072	5,075,138
Cash and cash equivalents, end of year	<u>\$ 3,119,660</u>	<u>\$ 4,964,072</u>

See accompanying notes to financial statements.

LUTHER COURT SOCIETY

Notes to Financial Statements

Year ended March 31, 2024

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, 2024

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. 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.

(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.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(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, 2024

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:

	2024	2023
Replacement reserve (note 13)	\$ 880,316	\$ 745,513
Internally restricted (note 14)	450,590	1,185,590
Grants and donations (notes 5 and 11)	1,299,452	1,836,360
Tenant damage deposits	28,593	24,877
Funds on hand	460,709	1,171,732
	<u>\$ 3,119,660</u>	<u>\$ 4,964,072</u>

Included in cash and cash equivalents are term deposits totaling \$1,552,628 (2023 - \$1,921,912) with terms of one year and interest rates ranging from 4.0% to 5.4%.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Property and equipment:

	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	6,062,769	1,753,412	4,309,357
	\$ 17,943,134	\$ 7,662,324	\$ 10,280,810

	2023		
	Cost	Accumulated amortization	Net book value
Land	\$ 311,349	\$ -	\$ 311,349
Building	4,213,952	1,606,008	2,607,944
Furniture and fixtures	5,477,676	3,417,559	2,060,117
Computer	275,923	148,494	127,429
Building improvements	5,544,705	1,565,821	3,978,884
	\$ 15,823,605	\$ 6,737,882	\$ 9,085,723

Included in building improvements, furniture and fixtures and computer equipment is \$901,564 (2023 - \$383,503) of assets not being amortized as they are not yet in use.

Amortization of the building and building improvements is as follows:

	2024		2023	
Original building cost	\$	103,331	\$	103,331
CHC and Complex Care renovation		182,046		150,943
Independent Living renovation		38,192		38,192
	\$	323,569	\$	292,466

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

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 \$178,213 (2023 - \$204,179) in contributions and recognized \$275,062 (2023 - \$178,967) into revenue.

6. Mortgage loan:

	2024	2023
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	\$ 994,291	\$ 1,169,167
Current portion	(181,353)	(174,876)
	<u>\$ 812,938</u>	<u>\$ 994,291</u>

The estimated principal payments until renewal under the existing mortgage terms are as follows:

	Amount
2025	\$ 181,353
2026	812,938
	<u>\$ 994,291</u>

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

7. Loans payable:

The Society was granted a loan from the B.C. Housing Management Commission (BCHMC) of up to \$185,469 (\$66,500 granted in fiscal 2018, and an additional \$118,969 granted in fiscal 2019) for the proposed development of the intergenerational housing project. At March 31, 2024, \$182,272 (2023 - \$182,273) has been advanced on the loan. If the Society does not receive a Loan Commitment within three years the proposal will be cancelled and the loan will be forgiven. If the Society receives a Loan Commitment from BCHMC the total amount advanced will be repaid to BCHMC in full from the proceeds of the initial advance of the approved mortgage. The Society is currently in the process of requesting an extension of the timelines related to this loan. Until the loan terms are amended the Society will continue to record the loan as payable rather than forgiven.

The Society was granted a seed contribution of up to \$100,000 and a seed loan of up to \$325,000 from the Canada Mortgage and Housing Corporation (CMHC) for the proposed development of the Intergenerational Housing Project in fiscal 2021. At March 31, 2024, the seed contribution advance of \$98,073 was forgiven (2023 - \$98,073 advanced). The seed loan advance of \$2,100 was repaid and expired on August 6, 2023. The Society is in the process of applying for an additional seed contribution and seed loan. Both the seed contribution and the seed loan are secured by a fourth mortgage on the Society's land and building.

	2024	2023
BC Housing Management Commission (BCHMC) loan	\$ 182,272	\$ 182,272
Canada Mortgage Housing Corporation (CMHC) seed contribution	-	98,074
Canada Mortgage Housing Corporation (CMHC) seed loan	-	2,100
	<u>\$ 182,272</u>	<u>\$ 282,446</u>

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Forgivable loans - capital grant:

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

The Society converted a portion of its building to accommodate residents funded under the Independent Living B.C. Program. In 2005, it received a second forgivable mortgage from BC Housing Management Commission ("BCHMC") secured on the Society's land and building. At March 31, 2024, \$1,336,729 (2023 - \$1,336,729) has been advanced and \$649,268 (2023 - \$611,076) has been amortized. 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, 1/35th of the mortgage will be forgiven each year (\$38,192 per annum). Should default occur, the mortgage will become due and payable on demand with interest at the then prime rate plus 2% per annum.

(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. At March 31, 2024, \$155,208 (2023 - \$155,208) has been advanced and \$96,598 (2023 - \$81,078) has been amortized. 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 (\$15,521 per annum). Should default occur, the mortgage will become due and payable on demand with interest at the then prime rate plus 2% per annum.

	2024	2023
BCHMC - second mortgage	\$ 687,461	\$ 725,653
BCHMC - third mortgage	58,610	74,130
	<hr/> \$ 746,071	<hr/> \$ 799,783

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

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, 2022. Extrapolations of the results were made to March 31, 2024.

Information about the sick leave and severance is as follows:

	2024	2023
Accrued sick and severance benefits:		
Sick leave benefits	\$ 173,600	\$ 166,700
Severance benefits	283,000	321,200
Accrued sick and severance benefits	\$ 456,600	\$ 487,900

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

	2024	2023
Unfunded obligation, beginning of year	\$ 487,900	\$ 564,800
Current service cost	38,400	38,500
Interest cost	23,400	22,000
Benefits paid	(383,700)	(269,000)
Remeasurement losses recognized in net assets	290,600	131,600
Unfunded obligation, end of year	\$ 456,600	\$ 487,900

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

9. Employee future benefits (continued):

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

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

	2024	2023
Discount rate	4.90 %	4.80 %
Rate of compensation increase		
2022	4.17 %	4.17 %
2023	7.00 %	7.00 %
2024	3.00 %	3.00 %
2025	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, 2022, the plan has about 240,000 active members and approximately 124,000 retired members.

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.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

9. Employee future benefits (continued):

(b) Municipal Pension Plan (continued)

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 \$516,535 (2023 - \$434,866) for employer contributions while employees contributed \$477,699 (2023 - \$402,170) 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, 2024. The Society's share of the net trust position is not reflected in these financial statements.

Contributions to the Trust of \$481,962 (2023 - \$432,457) were expensed during the year.

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, 2024, the Society has included in wages payable an accrual of \$91,621 (2023 - \$81,968) relating to this potential liability.

Using wage rates in effect at March 31, 2024, the Society's maximum liability for this accrued entitlement would be approximately \$456,430 (2023 - \$393,191).

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

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:

	2024	2023
Spent contributions:		
Beginning balance	\$ 5,014,630	\$ 4,222,676
Transfer from CMHC seed contributions	98,073	-
Contributions spent	548,309	1,167,265
Amortized to revenue	(552,680)	(375,311)
Ending balance	5,108,332	5,014,630
Unspent contributions:		
Beginning balance	1,112,434	1,991,926
Contributions	108,250	287,773
Contributions spent	(548,309)	(1,167,265)
Ending balance	672,375	1,112,434
Total contributions	\$ 5,780,707	\$ 6,127,064

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:

	2024	2023
Property and equipment (note 4)	\$ 10,280,810	\$ 9,085,723
Less amounts financed by:		
Mortgage loan (note 6)	994,291	1,169,167
Loans payable (note 7)	182,272	282,446
Forgivable loans - capital grants (note 8)	746,071	799,783
Deferred capital contributions - spent (note 11)	5,108,332	5,014,630
	7,030,966	7,266,026
	\$ 3,249,844	\$ 1,819,697

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

13. Net assets externally restricted for replacement reserves:

	Care	Rental	CHC	2024	2023
Balance, beginning of year	\$ 370,754	\$ 341,059	\$ 33,700	\$ 745,513	\$ 650,265
Provision (current year reserve)	25,200	31,320	33,977	90,497	90,497
Interest	8,753	7,747	806	17,306	4,751
Contribution	-	27,000	-	27,000	-
Balance, end of year	\$ 404,707	\$ 407,126	\$ 68,483	\$ 880,316	\$ 745,513

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; 2023 - \$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.

14. Net assets internally restricted:

An internally restricted reserve totaling \$23,022 (2023 - \$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 (2023 - \$840,154) has been maintained in the Building Improvement Fund for future capital improvements to the building. During the year \$735,000 of this reserve was used to fund the HVAC project.

An internally restricted reserve totaling \$322,414 (2023 - \$322,414) has been maintained to keep record of the funds received as bequests to be spent on special projects.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

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:

	2024	2023
Beginning balance	\$ 39,851	\$ 41,093
Grants paid	(1,910)	(1,773)
Net investment returns	4,565	531
Ending balance	\$ 42,506	\$ 39,851

16. Residents' trust funds:

Trust funds held for residents amounting to \$25,113 at March 31, 2024, (2023 - \$19,642) and the related liabilities are not included in these financial statements.

17. Lease commitments:

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

2025	\$ 27,995
2026	26,081
2027	3,491
	\$ 57,567

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

18. Commitments:

During 2018, the Society entered into an agreement with M'Akola Development Services for consulting services for a proposed development project. The Society is currently in Phase 1 and has committed to pre development and proposal services up to \$100,200. Contingent upon receiving funding from BCHMC, the total approved contract price is \$324,564. At March 31, 2024, \$67,942 (2022 \$67,942) has been incurred.

During 2019, the Society entered into an agreement with Studio 531 Architects Inc. for architectural services for a proposed development project. The Society is currently in the design development stage and has committed up to \$134,889. Contingent upon receiving funds from BCHMC, the total approved contract price is \$582,655. At March 31, 2024, \$334,208 (2023 \$115,078) has been incurred.

19. 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 37 employees and 5 contractors who met this criterion, and the total amount of remuneration paid to these persons was \$4,766,940 (during the prior year, there were 22 employees and 5 contractors who met this criterion, and the total remuneration paid to these persons was \$2,888,910). The Board of Directors receive no remuneration for their services.

20. 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 transaction 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.

LUTHER COURT SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2024

20. Risk management (continued):

(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.

(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.

21. 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.

22. Subsequent events:

On May 28, 2024, BC Housing approved an additional \$304,258 in Pre-Development Funds to be used by The Society on the Intergenerational Housing Project.

LUTHER COURT SOCIETY

Schedule of Housing Operations - Rental Assisted Living

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Tenant rent	\$ 221,937	\$ 203,913
Other revenue	10,310	5,855
	<u>232,247</u>	<u>209,768</u>
Expenses:		
Mortgage interest and principal	55,240	55,240
Salaries and wages - building staff	36,945	32,115
Amounts transferred to replacement reserves	21,600	21,600
Salaries and wages - maintenance	32,358	33,130
General utilities	28,155	25,753
Water and sewer	15,560	11,405
Garbage removal	6,986	6,910
General maintenance	15,368	2,172
Grounds maintenance	142	6,427
Audit	3,193	2,775
Insurance	9,666	7,738
General administrative	3,040	3,123
Telephone	1,590	1,590
	<u>229,843</u>	<u>209,978</u>
Net income (loss) for the year	2,404	(210)
Accumulated fund, balance at beginning of year	87,665	87,875
Accumulated fund, balance at end of year	<u>\$ 90,069</u>	<u>\$ 87,665</u>

LUTHER COURT SOCIETY

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

Year ended March 31, 2024, with comparative information for 2023

	Rental				2024	2023
	Care	Assisted living	Independent	CHC		
Balance, beginning of year	\$ 370,754	\$ 137,489	\$ 203,570	\$ 33,700	\$ 745,513	\$ 650,265
Add:						
Transfer from operations for the year	25,200	21,600	9,720	33,977	90,497	90,497
Interest income	8,753	2,878	4,869	806	17,306	4,751
Contribution	-	9,991	17,009	-	27,000	-
Balance, end of year	\$ 404,707	\$ 171,958	\$ 235,168	\$ 68,483	\$ 880,316	\$ 745,513